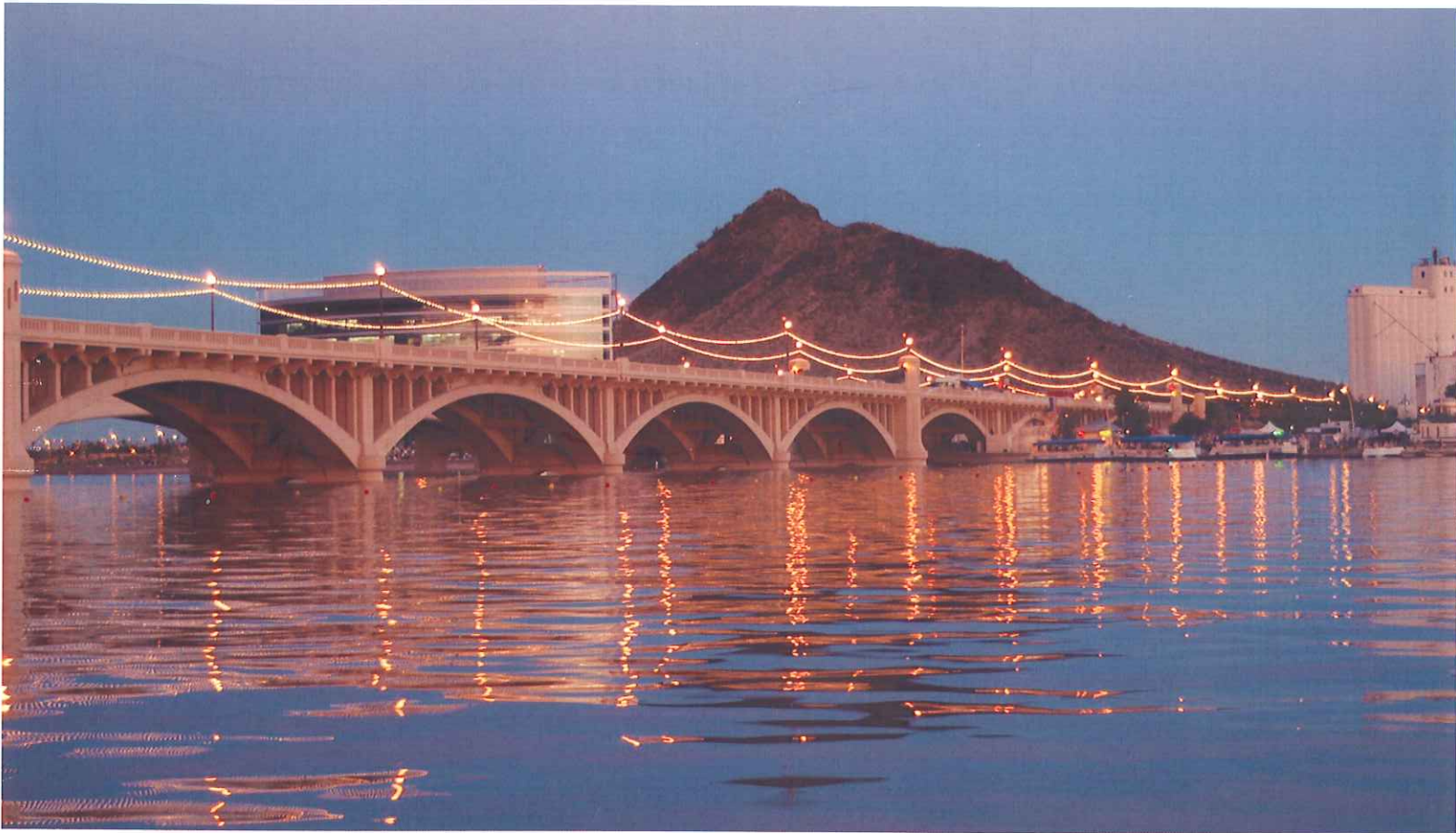


Tempe



Comprehensive Annual
Financial Report

City of Tempe, Arizona
For the Fiscal Year Ended
June 30, 2007



Comprehensive Annual Financial Report

City of Tempe, Arizona
For the Fiscal Year Ended
June 30, 2007

City of Tempe, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2007



City Council:

Hugh Hallman, Mayor
Hut Hutson, Vice Mayor
P. Ben Arredondo
Barbara J. Carter
Shanna Ellis
Mark Mitchell
Onnie Shekerjian

Administrative Staff:

Will Manley, City Manager

Presented by:

Jerry Hart, CPA, Financial Services Manager
Tom Duensing, CPA, Deputy Financial Services Manager
Karen Huffman, CPA, Controller



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

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For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

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City of Tempe, Arizona

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Introductory Section

This section provides general information on the government's structure and information useful in assessing the City's financial condition.

CITY OF TEMPE
P.O. BOX 5002
20 EAST SIXTH STREET
TEMPE, AZ 85281
480.350.8350



FINANCIAL SERVICES

November 21, 2007

To the Honorable Mayor, Members of the City Council and Citizens of the City of Tempe, Arizona:

The Comprehensive Annual Financial Report, including the Independent Auditors' Report, for the fiscal year ended June 30, 2007 is submitted in accordance with Article V of the City Charter for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with management. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This Comprehensive Annual Financial Report (CAFR) represents management's report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies that have expressed an interest in Tempe's financial condition. Copies of this financial report will also be placed in the City library and on the City's web site at <http://www.tempe.gov/accounting/> for use by the general public.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The accounting firm of Heinfeld, Meech & Co., P.C., an independent certified public accounting firm, performed the City's annual financial statement audit. The auditors' unqualified ("clean") Independent Auditors' Report on the financial statements is included in the financial section of this report. The City's independent auditors also perform the Single Audit of the City's federal grant programs. The single audit report is issued separately from this financial report and is available upon request.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

CITY OF TEMPE PROFILE

History - Tempe's history dates back to 1867 when Mr. Charles T. Hayden, father of former U.S. Senator Carl Hayden, constructed a cable ferry on the then uncontrollable waters of the Salt River. In 1871, Mr. Hayden and four others organized the Hayden Milling operations and related agricultural enterprises. Soon after, the Town of Hayden's Ferry was founded. The name of the town was changed from Hayden's Ferry to Tempe in 1880 and was incorporated in 1894.

Current Profile - The boundaries of Tempe encompass an area approximately 40.1 square miles with an estimated population of 166,000 residents. Tempe offers more than 330 days of sunshine each year with rainfall amounts of approximately 7 inches a year. The City is located in Maricopa County, Arizona and is bordered by the cities of Phoenix, Scottsdale, Mesa, Chandler and the Town of Guadalupe. Tempe is surrounded by five major freeways and is only minutes away from Phoenix Sky Harbor International Airport making it the most accessible city in the metropolitan Phoenix area.

Government and Organization - On October 19, 1964, the electors in accordance with Arizona State Law ratified a Home Rule City Charter. The City operates under a Council-Manager form of government. The Mayor is elected for four years and six council members are elected at large on a non-partisan ballot for staggered four-year terms. The City Council appoints the City Manager who has full responsibility for carrying out Council policies and administering City operations. The City provides services as authorized by its charter including: public safety (police, fire, building inspection), highways and streets, public transit, sanitation, water and wastewater, cultural-recreational, community development and general administration. Serving as a separate financing unit, the Tempe Municipal Property Corporation is a separate nonprofit corporation organized to assist the City in certain capital projects. The Rio Salado Community Facilities District is also a separate component unit of the City and facilitates the development around Tempe Town Lake.

Budgetary Controls - The City maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Council. Activities of the General Fund, Special Revenue Funds (except for the Grant and Court Awards), General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are also prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations are carried forward at the end of each fiscal year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

LOCAL ECONOMY

In the General Fund, the fund in which most general governmental services are financed, the City of Tempe's most significant revenue sources are derived from City sales taxes, state-shared sales taxes and state-shared income taxes. These three revenue sources contributed to 70.2% of total General Fund revenues in fiscal year 2006-07. A downturn in the national economy impacted city and state-shared sales taxes for three fiscal years beginning in fiscal year 2001-02. However, proactive redevelopment and planning resulted in a rebound of city sales tax growth through the current fiscal year. State shared income taxes also saw a recovery due to robust growth in the state economy.

In fiscal year 2006-07, increases occurred in total taxable sales (8.1%) and moderate increases occurred in retail taxable sales (2.0%) when compared to the prior year. (Retail taxable sales comprise approximately 51.0% of total taxable sales). Actual local sales tax revenue (including city sales, local bed, transit and performing arts taxes) increased by 8% over the prior fiscal year. Despite the City's economy exhibiting growth through the fiscal year ended June 30, 2007, it is expected that this growth will moderate over the next several fiscal years due to the effects of the weakening housing market.

Both state-shared sales and income taxes are distributed based upon a municipality's percentage population to the State's total population. A continued concern is the City's decrease in percentage population to the state overall. Given the City's landlocked status, significant population growth is not anticipated for Tempe in the future when comparing Tempe to other valley cities. Although any adjustments to the revenue distribution formulas occur only in decade and mid-decade censuses, any significant reduction in state-shared revenues could have a major impact to the City.

Tempe's unemployment rate was 3.0% during the fiscal year which is below the recent high of 4.5% in fiscal year 2002-03. The City has also seen a 29% increase in secondary assessed valuation growth from the fiscal year ended June 30, 2003 to the fiscal year ended June 30, 2007.

LONG-TERM FINANCIAL PLANNING

As part of the annual budget process, the City annually updates its Comprehensive Financial Plan. This document serves as a basis for developing suggested budget policies for City Council consideration. This effort is critical in identifying emerging economic challenges and adjusting priorities to meet those challenges. In conjunction with the Comprehensive Financial Plan and as required by City Charter, a five-year capital improvements program (CIP Budget) is developed and updated annually. This budget is also developed simultaneously with the annual operating budget and identifies any operating impacts of the capital projects.

Favorable bond ratings are due not only to having a comprehensive budget process but also result from solid fund balances, adequate reserves and adherence to the City's Debt Management Plan which links future debt capacity to population, tax base growth and the current level of general operating revenue. The Debt Management Plan is designed to limit General Governmental tax supported debt yet provide adequate capital funding for Council approved projects.

The City Council has established a strong 25% reserve policy for the General Fund's unreserved fund balance and continues to adhere to this policy. At June 30, 2007, the General Fund unreserved fund balance totaled \$43.3 million. In addition to the 25% reserve policy, the City has designated financial reserves to absorb unforeseen liabilities. At June 30, 2007, the General Fund unreserved, designated fund balance totaled \$53.6 million. Included in this amount are capital projects reserves (\$15.7 million), other post employment benefits reserves (\$10.0 million), self-insurance reserves (\$8.8 million), Rainy Day Reserves (\$8.0 million) and other reserves (\$11.1 million).

Another aspect of Tempe's long-term financial planning is the City Council Finance, Economy and Veterans' Affairs (FEVA) Committee. Included in the committee's work plan is the oversight of policy formation, implementation and assessment of finance and budget plans. This includes examination of sales and property tax programs, bond-financing capacity models, deficit reduction proposals, development incentive programs, bonding and preliminary budgets. The FEVA work plan also calls for the committee to oversee development, implementation and assessment of economic development approaches, projects and proposals.

MAJOR INITIATIVES

Kept within the shores of the normally dry Salt River by a series of inflatable dams, Tempe Town Lake provides both recreational and business opportunities for residents and visitors. Approximately 60% of Town Lake is to be privately developed with the remainder set aside for parks, open space and wildlife habitat.

Tempe is also home to Arizona State University, the largest educational institution in Arizona and one of the largest in the United States. ASU has more than 51,000 students at the local campus and is the largest employer in the City. Due to the selection of Phoenix as the headquarters for the International Genomics Consortium and Translational Research Institute, the Arizona State University campus will be the site of the Arizona Biodesign Institute. The Institute's work in the field of biotechnical and biodesign research will put Tempe in a position to attract new businesses spawned by this research.

The City's economic development and redevelopment efforts continue to be strong. Because of strong growth through the 1970's and 1980's, the City is approaching build-out. Therefore, new growth will take the form of in-fill development and management's focus is shifting to infrastructure maintenance to improve quality of life. Highlights of the development efforts include the following:

- The **Papago Gateway Center** is a 260,000 square foot office and research facility. This is the first speculative commercial biotechnology/laboratory space built within the City of Tempe. This LEED certified facility is a state-of-the-art environmentally sensitive, seven-story building located north of Tempe Town Lake with close proximity to Arizona State University and the regional light rail line. Completion of construction is scheduled for January 2008.
- Located at the southeast edge of Tempe Town Lake and adjacent to Karsten Golf Course, the **Pier at Town Lake** is a 3.6 million square-foot, mixed-use development. Plans call for two Class A office buildings, a four-star hotel and 10 high-end residential buildings. A retail corridor runs through the development and will feature national retailers, well-known boutiques and restaurants.
- **Hayden Ferry Lakeside** is a 17-acre, water-front, master-planned project located on the southern shores of Tempe Town Lake. This 922,000 square foot project contains Class A office space and will feature three mid-rise towers, approximately 400 luxury condominiums and retail space. Included in the project is the European style **Le Meridien Hotel**. This 183-room, 14 story hotel will also feature 44 residential units built atop the property.
- In June 2006, an agreement was reached on development of **Hayden Flour Mill**. The proposed site will be the new headquarters for the developer, Avenue Communities and includes three stories on top of the mill, a proposed hotel, office/retail/restaurant space and a winery.
- **Centerpoint Condominiums** is a mixed-use development featuring one 22-story and three 30-story residential buildings with over 800 condominiums and 2,000 residents. The first 22-story tower is expected to be completed in Spring 2008 and construction has begun on the first 30-story tower.
- At the southwest corner of Loops 101 and 202 freeways, **Tempe Marketplace's** 1.3 million square feet of retail space is uniquely positioned as an open-air, pedestrian-oriented environment. With the first tenants opening their doors in June 2007, tenants will include Barnes & Noble, Target, Dave & Buster's, Old Navy, California Pizza and many others.
- Located across the street from Sun Devil Stadium, **Stadium Tower** and **Lumina Hotel** is a 20 story development that will feature approximately 250 residential units, 220 hotel suites and restaurant/meeting spaces.

The City is also a regional draw for special events such as the P.F. Chang's® Rock & Roll Marathon and Half Marathon, Insight.com Bowl and the Ironman® Arizona triathlon. The City is the spring training home to Major League Baseball's Los Angeles Angels of Anaheim. It is anticipated that all of these events have an additional positive economic impact on city revenues and future development.

A few of the notable City capital projects are as follows:

- Opening in September 2007, the \$63 million **Tempe Center for the Arts** features a theater, studio, gallery, banquet/meeting room, donor lounge, on-site, full-service box office, dedicated catering areas and an arts retail space. The facility is located on the southwest end of Tempe Town Lake and resides by a 17-acre, \$2.7 million lakeside art park.
- The **Central Phoenix/East Valley Light Rail Project** is now in the construction phase with planned completion in December 2008. The cities of Tempe, Phoenix, Mesa and Glendale currently participate in a joint powers agreement to construct and operate the system. The cost of the initial 20-mile segment is estimated at \$1.4 billion with approximately 41% of the project being funded through a federal grant. A total of 5.5 miles of the initial segment will go through Tempe serving downtown Tempe, Arizona State University and the Apache Boulevard area.
- Development along the City's Apache Boulevard area is further enhanced by the opening of the **Apache Boulevard Police Substation** in Spring 2007. The site houses approximately 180 police sworn and civilian employees and includes a community plaza and meeting room.

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last thirty-one consecutive years (fiscal years 1975-76 through 2005-06). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The City also received the GFOA's **Distinguished Budget Presentation Award** for the fiscal year beginning July 1, 2006 annual budget and the National Purchasing Institute's certificate of **Achievement of Excellence in Procurement Award** for 2007.

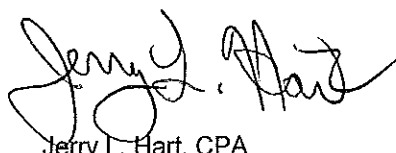
Acknowledgment

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division, the assistance of administrative personnel in the various departments, and the competent service of our independent auditors. Credit also must be given to the Mayor and City Council members for their continued support for maintaining the highest standards of professionalism in the management of the City of Tempe's finances. For those involved, we express our sincerest appreciation.

Respectfully submitted,



Jeff Kulaga
Interim City Manager



Jerry L. Hart, CPA
Financial Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tempe
Arizona

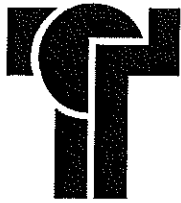
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



For the Fiscal Year
Ended June 30, 2007

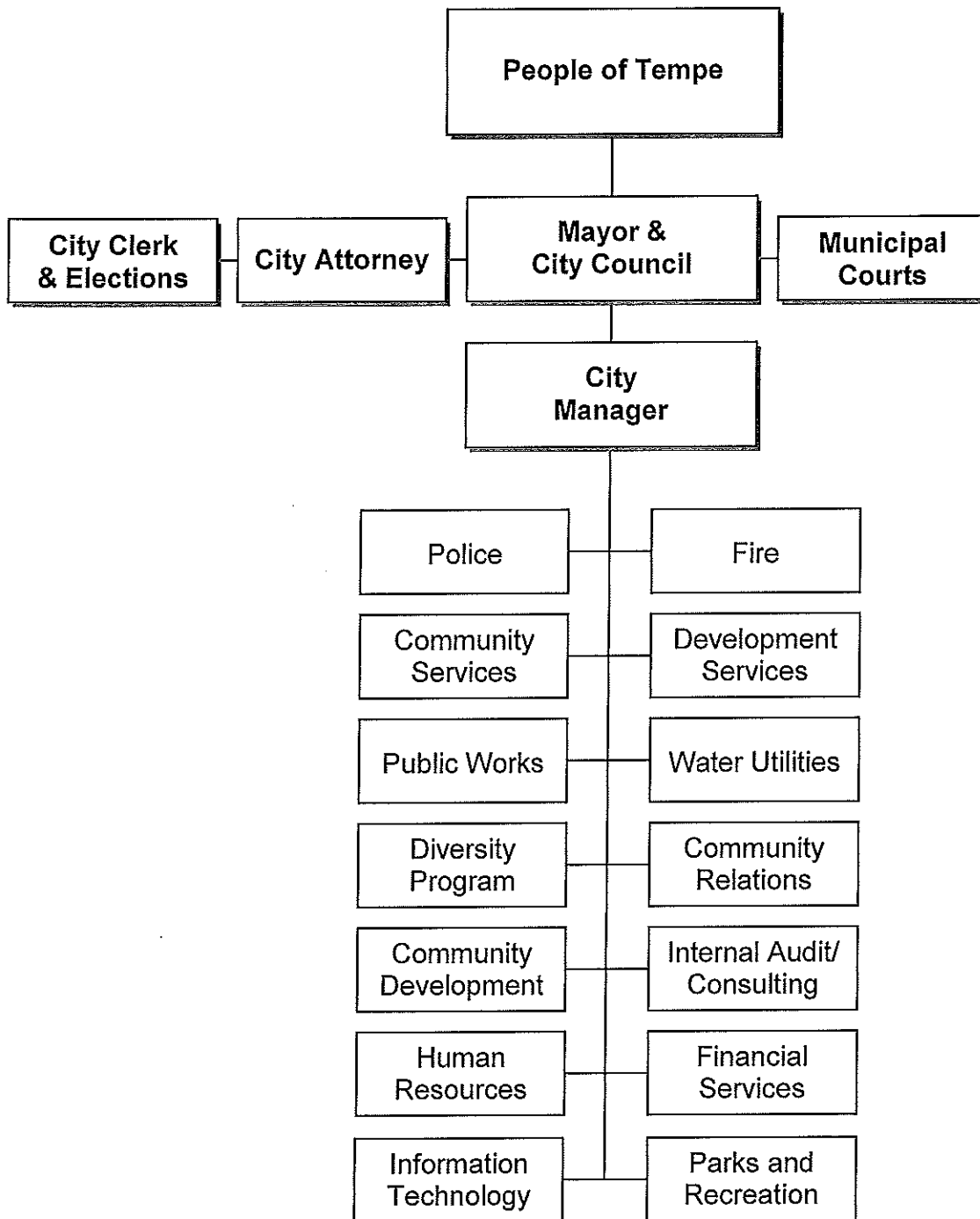
City of Tempe, Arizona List of Principal Officials

City Council

Hugh Hallman, Mayor
Hut Hutson, Vice Mayor
P. Ben Arredondo
Barbara J. Carter
Shanna Ellis
Mark Mitchell
Onnie Shekerjian

Administrative Staff

Will Manley, City Manager
Jeff Kulaga, Assistant City Manager
Tom Ryff, Police
Cliff Jones, Fire
Tom Canasi, Community Services
Mark Richwine, Parks and Recreation
Glen Kephart, Public Works
Shelley Hearn, Community Relations
Rosa Inchausti, Diversity Program
Ken Jones, Internal Audit/Consulting
Jan Hort, City Clerk and Elections
Andrew Ching, City Attorney
Louraine Arkfeld, Municipal Courts
Chris Anaradian, Development Services
Chris Salomone, Community Development
Jerry Hart, Financial Services
Valerie Hernandez, Human Resources
Gene Obis, Information Technology
Don Hawkes, Water Utilities



Financial Section

This section contains the independent auditor's report, management's discussion and analysis, and basic financial statements. Also included is financial statements for individual funds and component units for which data are not provided separately in the basic financial statements, and other useful supplementary information.



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Tempe, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Transit Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007, on our consideration of City of Tempe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 17 through 32 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information such as the introductory section, combining statements, other supplementary information and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tempe's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.192 billion (net assets). Of this amount, \$502.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$139.9 million during the fiscal year which is an increase of \$70.2 million over the prior year. This is due primarily to a \$48.5 million increase over the prior year in capital grants and contributions toward the regional light rail project and a bus operations and maintenance facility.
- At June 30, 2007, the City's governmental funds reported combined ending fund balances of \$241.7 million. Approximately 74.0% of this total amount (\$178.9 million) is unreserved fund balance available for spending at the government's discretion.
- At June 30, 2007, total unreserved fund balance for the general fund was \$96.9 million. The undesignated portion of unreserved fund balance is \$43.3 million, which is 25.0% of total general fund revenues of \$173.1 million.
- At June 30, 2007, the City's proprietary funds reported combined total net assets of \$266.2 million, and total unrestricted net assets of \$88.6 million. A total of \$83.3 million of the unrestricted net assets are in the Water and Wastewater Fund.
- At June 30, 2007, the total long-term obligations of the City increased by \$101.4 million due primarily to a) the issuance of \$76.5 million in new general obligation debt for water and wastewater system improvements, public safety improvements and community service improvements and b) the issuance of \$50.0 million in variable rate demand transit excise tax revenue obligations to finance costs related to the regional light rail project.
- A total of \$20.7 million in general obligation bonds were refunded during the fiscal year resulting in an economic gain of \$591,533. In addition, the City issued \$21.3 million in excise tax revenue refunding obligations to refund existing excise tax revenue obligations resulting in an economic gain of \$701,966.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, community services, parks and recreation, public works, community relations, mayor and council, city manager, diversity program, internal audit/consulting, city clerk and elections, city attorney, municipal courts, development services, community development, financial services, human resources, and information technology. The business-type activities of the City include water and wastewater, solid waste, golf and cemetery operations.

Included within the government-wide financial statements are the operations of the Tempe Municipal Property Corporation and the Rio Salado Community Facilities District. Although legally separate from the City, these component units are blended with the primary government (the City) because of their governance or financial relationships with the City.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following two categories: **governmental funds and proprietary funds.**

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Other than the general fund, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, transit special revenue fund, general obligation debt service fund, special assessment debt service fund, performing arts capital projects fund and the transit capital projects fund which are all considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general, special revenue (except grants and court awards), general obligation debt service, and proprietary funds. Budgetary comparison statements have been provided in the basic financial statements for the general and transit special revenue funds to demonstrate compliance with the budget. Budgetary comparison schedules for other nonmajor special revenue and general obligation debt service funds are included in Other Supplementary Information.

Proprietary funds. Proprietary funds are generally used to account for services provided to customers for which the City charges user fees that are designed to fully recover the cost of providing the service. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Wastewater, Solid Waste collection/disposal, Golf Course operations and Cemetery operations. All enterprise funds are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its health insurance program and its risk management services including workers compensation, general liability and property liability claims. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

Net Assets June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 594,669,309	\$ 247,893,583	\$ 842,562,892
Capital assets, net	791,669,427	285,760,381	1,077,429,808
Total assets	1,386,338,736	533,653,964	1,919,992,700
Liabilities			
Long-term liabilities	386,036,421	245,508,688	631,545,109
Other liabilities	74,272,763	21,907,615	96,180,378
Total liabilities	460,309,184	267,416,303	727,725,487
Net Assets			
Invested in capital assets, net of related debt	397,087,925	177,682,915	574,770,840
Restricted	114,918,257	-	114,918,257
Unrestricted	414,023,370	88,554,746	502,578,116
Total net assets	\$ 926,029,552	\$ 266,237,661	\$ 1,192,267,213

Net Assets June 30, 2006

	Governmental Activities (restated)	Business-type Activities	Total (restated)
Assets			
Current and other assets	\$ 512,696,338	\$ 208,643,071	\$ 721,339,409
Capital assets, net	725,001,786	256,640,985	981,642,771
Total assets	1,237,698,124	465,284,056	1,702,982,180
Liabilities			
Long-term liabilities	346,698,436	183,405,004	530,103,440
Other liabilities	101,507,243	18,966,045	120,473,288
Total liabilities	448,205,679	202,371,049	650,576,728
Net Assets			
Invested in capital assets, net of related debt	407,609,036	174,110,077	581,719,113
Restricted	154,949,896	-	154,949,896
Unrestricted	226,933,513	88,802,930	315,736,443
Total net assets	\$ 789,492,445	\$ 262,913,007	\$ 1,052,405,452

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.192 billion and \$1.052 billion at June 30, 2007 and 2006, respectively. As stated in the Financial Highlights section, the increase in total net assets is due primarily to the infusion of capital grants and contributions toward the regional light rail project and the East Valley Regional Bus Maintenance Facility.

The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment and construction in progress) less any related debt used to acquire those assets. The net assets invested in capital assets, net of related debt were \$574.8 million and \$562.7 million at June 30, 2007 and 2006, respectively. These totals represent 48.2% and 53.5% of total net assets at June 30, 2007 and 2006, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restriction on how they may be used. The net assets subject to external restrictions were \$114.9 million (9.6% of total net assets) and \$154.9 million (14.7% of total net assets) at June 30, 2007 and 2006, respectively. These restrictions are imposed by laws or regulations set by the City (transit and cultural and recreation) and the State of Arizona (highways and streets, court enhancements and debt service). The remaining balance of net assets is unrestricted, and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of unrestricted net assets was \$502.6 million (42.2% of total net assets) and \$334.7 million (31.8% of total net assets) at June 30, 2007 and 2006, respectively.

At the end of each fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities as a whole.

Analysis of Change in Net Assets

The City's net assets increased by \$139.9 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion below.

Changes in Net Assets June 30, 2007

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 31,562,017	\$ 66,673,249	\$ 98,235,266
Operating grants and contributions	18,812,530	-	18,812,530
Capital grants and contributions	103,412,667	4,782,425	108,195,092
General revenues:			
Sales taxes	157,488,587	-	157,488,587
State shared income taxes	18,823,759	-	18,823,759
Property taxes	26,826,227	-	26,826,227
Franchise taxes	2,693,256	-	2,693,256
Auto-lieu taxes	6,870,739	-	6,870,739
Unrestricted investment earnings	13,337,247	3,305,406	16,642,653
Miscellaneous	2,780,229	716,338	3,496,567
Gain on sale of capital assets	-	48,264	48,264
Total revenues	<u>382,607,258</u>	<u>75,525,682</u>	<u>458,132,940</u>

Expenses

Police	60,929,075	-	60,929,075
Fire	22,563,083	-	22,563,083
Community services	16,072,936	-	16,072,936
Parks and recreation	20,015,034	-	20,015,034
Public works	56,869,440	-	56,869,440
Community relations	2,816,030	-	2,816,030
Mayor and council	362,281	-	362,281
City manager	445,531	-	445,531
Diversity program	548,552	-	548,552
Internal audit/consulting	476,089	-	476,089
City clerk and elections	528,493	-	528,493
City attorney	2,903,028	-	2,903,028
Municipal courts	4,708,606	-	4,708,606
Development services	8,611,601	-	8,611,601
Community development	21,444,736	-	21,444,736
Financial services	4,597,029	-	4,597,029
Human resources	2,877,320	-	2,877,320
Information technology	889,443	-	889,443
Non-departmental	8,127,073	-	8,127,073
Interest on long-term debt	13,996,681	-	13,996,681
Water/Wastewater	-	53,688,700	53,688,700
Solid waste	-	12,403,387	12,403,387
Golf	-	2,225,214	2,225,214
Cemetery	-	171,817	171,817
Total expenses	<u>249,782,061</u>	<u>68,489,118</u>	<u>318,271,179</u>
Increase (decrease) in net assets before transfers	132,825,197	7,036,564	139,861,761
Transfers	<u>3,711,910</u>	<u>(3,711,910)</u>	<u>-</u>
Change in net assets	<u>136,537,107</u>	<u>3,324,654</u>	<u>139,861,761</u>
Net assets at beginning of year	<u>789,492,445</u>	<u>262,913,007</u>	<u>1,052,405,452</u>
Net assets at end of year	<u>\$ 926,029,552</u>	<u>\$ 266,237,661</u>	<u>\$1,192,267,213</u>

Changes in Net Assets June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 28,545,556	\$ 61,992,397	\$ 90,537,953
Operating grants and contributions	19,903,398	-	19,903,398
Capital grants and contributions	54,935,929	506,593	55,442,522
General revenues:			
Sales taxes	145,109,192	-	145,109,192
State shared income taxes	16,607,943	-	16,607,943
Property taxes	27,532,893	-	27,532,893
Franchise taxes	1,858,851	-	1,858,851
Auto-lieu taxes	7,527,675	-	7,527,675
Unrestricted investment earnings	8,038,565	1,909,727	9,948,292
Miscellaneous	1,864,289	993,233	2,857,522
Gain on sale of capital assets	1,813,311	265,397	2,078,708
Total revenues	<u>313,737,602</u>	<u>65,667,347</u>	<u>379,404,949</u>

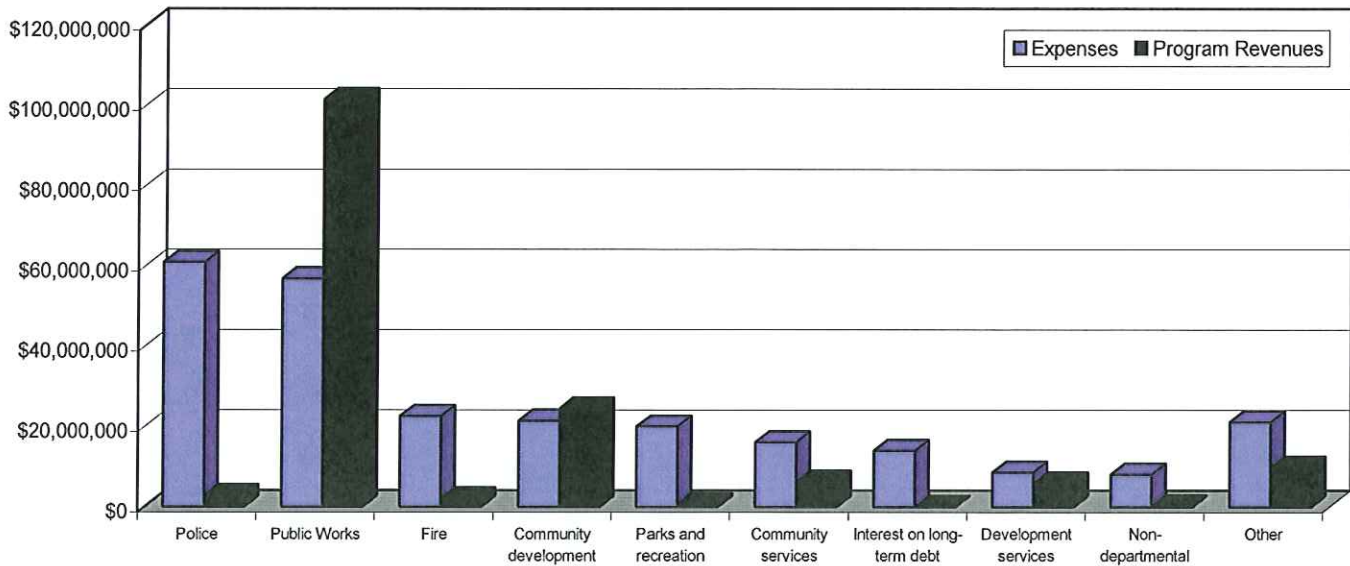
Expenses

Police	59,957,698	-	59,957,698
Fire	20,098,598	-	20,098,598
Community services	22,205,153	-	22,205,153
Public works	67,537,876	-	67,537,876
Community relations	2,499,978	-	2,499,978
Mayor and council	362,810	-	362,810
City manager	412,936	-	412,936
Diversity program	534,950	-	534,950
Internal audit/consulting	460,824	-	460,824
City clerk and elections	752,336	-	752,336
City attorney	2,348,553	-	2,348,553
Municipal courts	4,342,297	-	4,342,297
Development services	14,492,161	-	14,492,161
Community development	20,358,768	-	20,358,768
Financial services	4,256,427	-	4,256,427
Human resources	2,727,058	-	2,727,058
Information technology	1,462,595	-	1,462,595
Non-departmental	6,122,335	-	6,122,335
Interest on long-term debt	10,821,420	-	10,821,420
Water/Wastewater	-	53,588,122	53,588,122
Solid waste	-	11,836,691	11,836,691
Golf	-	2,375,802	2,375,802
Cemetery	-	152,717	152,717
Total expenses	<u>241,754,773</u>	<u>67,953,332</u>	<u>309,708,105</u>
Increase (decrease) in net assets before transfers	71,982,829	(2,285,985)	69,696,844
Transfers	<u>1,149,970</u>	<u>(1,149,970)</u>	<u>-</u>
Change in net assets	73,132,799	(3,435,955)	69,696,844
Net assets at beginning of year	<u>716,359,646</u>	<u>266,348,962</u>	<u>982,708,608</u>
Net assets at end of year	<u>\$ 789,492,445</u>	<u>\$ 262,913,007</u>	<u>\$1,052,405,452</u>

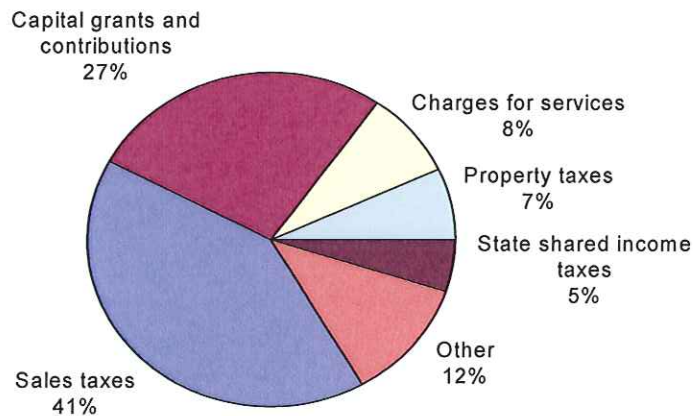
Governmental activities. Despite increases in total expenses of \$8.0 million, governmental activities increased the City's net assets by \$136.5 million (compared to \$73.1 million during the prior year) due largely to continued economic recovery and increases in capital grants and contributions. The key factors for this increase are as follows:

- During the current fiscal year, sales tax revenue increased by \$12.4 million (a total of 8.5%) and exceeded budgetary estimates. Despite the continued economic recovery, the rate of sales tax growth, though strong from a historical perspective, slowed compared to the fiscal year ended June 30, 2006.
- The City saw an increase of \$48.5 million in capital grants and contributions due mainly to capital contributions from Valley Metro Rail toward construction costs related to the light rail project and capital grants for the new East Valley Bus Operations and Maintenance Facility.
- Unrestricted investment earnings increased by \$5.3 million due primarily to increased rates of return on citywide investments over the prior year.
- Total expenses increased by \$8.0 million which was a 3.3% increase. During the fiscal year, a Parks and Recreation department was created by combining divisions of the Community Services and Public Works' departments. Expenses in the Development Services department decreased as a result of a one time \$10.0 million risk management claim recognized in the year ended June 30, 2006.

Fiscal Year 2006-07 Expenses and Program Revenues - Governmental Activities



Fiscal Year 2006-07 Revenues by Source - Governmental Activities



The charts above illustrate the City's governmental expenses and program revenues by function and its revenues by source for the current fiscal year. A comparison of expense by function and the percentage of total expenses, for the five largest functions, is presented below.

	Fiscal Year Ended			
	June 30, 2007		June 30, 2006	
Police	\$ 60,929,075	24.4%	\$ 59,957,698	24.8%
Public works	56,869,440	22.8	67,537,876	27.9
Fire	22,563,083	9.0	20,098,598	8.3
Community development	21,444,736	8.6	20,358,768	8.4
Parks and recreation *	20,015,034	8.0	-	

* During the fiscal year ended June 30, 2007, the Parks and Recreation department was created.

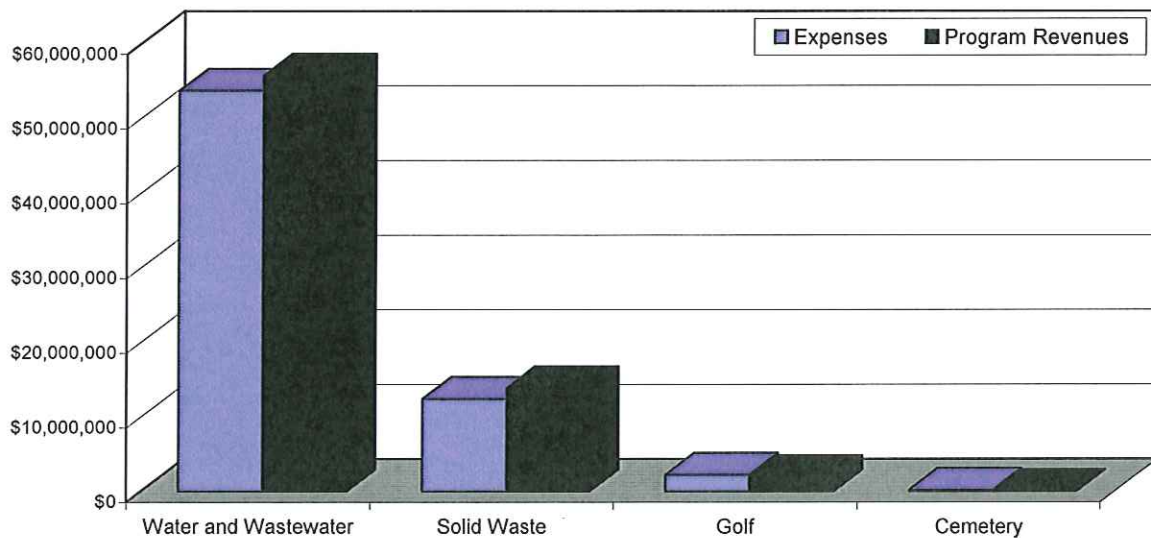
General revenues such as sales taxes, state income taxes, property taxes, and other excise taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, a comparison of the five largest general revenues, and their percentage of total revenues, is presented below.

	Fiscal Year Ended			
	June 30, 2007		June 30, 2006	
Sales taxes	\$157,488,587	41.2%	\$145,109,192	46.3%
Capital grants and contributions	103,412,667	27.0	54,935,929	17.5
Charges for services	31,562,017	8.2	28,545,556	9.1
Property taxes	26,826,227	7.0	27,532,893	8.8
State shared income taxes	18,823,759	4.9	16,607,943	5.3

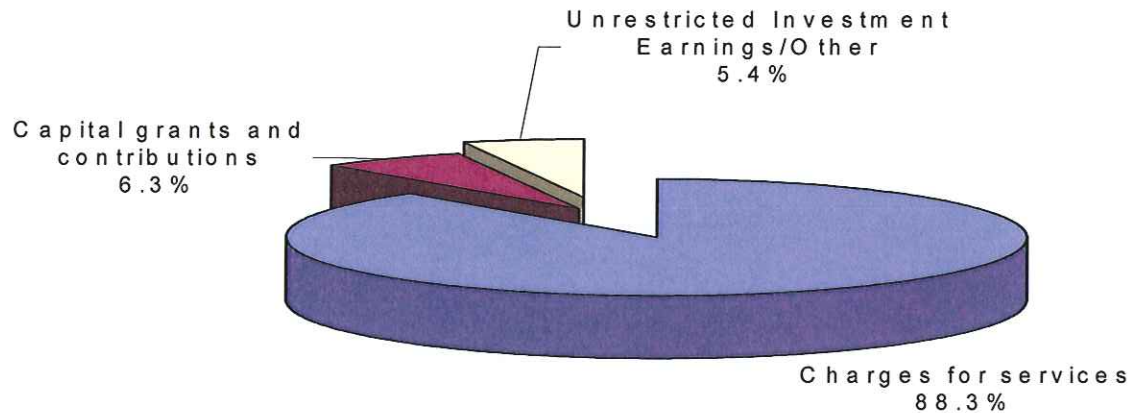
Business-type activities. Business-type activities increased the City's net assets by \$3.3 million for the year ended June 30, 2007 compared to a decrease of \$3.4 million for the year ended June 30, 2006. This increase is due primarily to an increase in charges for services revenue and capital contributions of \$4.7 million and \$4.3 million, respectively. The increase in charges for services revenue was due primarily to water/wastewater and solid waste rate increases. The increase in capital grants and contributions was due primarily to wastewater capital projects benefiting Arizona State University and the City of Mesa, Arizona.

Water/wastewater, solid waste and cemetery expenses remained relatively stable from the fiscal year ended June 30, 2006 to the fiscal year ended June 30, 2007. Golf expenses decreased due to cost cutting efforts.

Fiscal Year 2006-07 Expenses and Program Revenues - Business-type Activities



Fiscal Year 2006-07 Revenues by Source - Business-type Activities



For the business type activities a comparison of revenues by source is provided for each activity.

For the Year Ended June 30, 2007

	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 50,922,496	\$ 13,820,128	\$ 1,912,286	\$ 18,339	\$ 66,673,249
Capital grants and contributions	4,782,425	-	-	-	4,782,425
Unrestricted investment Earnings/other	3,707,448	250,829	23,551	88,180	4,070,008
Total	\$ 59,412,369	\$ 14,070,957	\$ 1,935,837	\$ 106,519	\$ 75,525,682

For the Year Ended June 30, 2006

	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 47,012,596	\$ 12,989,827	\$ 1,971,031	\$ 18,943	\$ 61,992,397
Capital grants and contributions	506,593	-	-	-	506,593
Unrestricted investment Earnings/other	2,627,578	400,817	72,029	67,933	3,168,357
Total	\$ 50,146,767	\$ 13,390,644	\$ 2,043,060	\$ 86,876	\$ 65,667,347

As shown in the Analysis of Change in Net Assets schedules presented previously, the largest of the City's business-type activities, Water and Wastewater, had expenses of \$53.7 million for the fiscal year, followed by Solid Waste with \$12.4 million, Golf with \$2.2 million and Cemetery with \$171,817. The cemetery was not fully operational during the fiscal year as the cemetery improvements were yet to be fully completed by the June 30, 2007 fiscal year end.

For the fiscal year, revenues exceeded expenses in the Water/Wastewater and Solid Waste operations. Expenses exceeded revenues in the Golf and Cemetery operations. The City has approved rate increases for Water/Wastewater services and Solid Waste services in the next fiscal year. During the fiscal year, charges for services provided the largest share of revenues (88.3%) for all of the business-type activities.

FUND STATEMENTS FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$241.7 million, a decrease of \$47.6 million from the prior year due primarily to unspent debt proceeds in the Performing Arts and Transit Capital Projects Funds at June 30, 2006. Approximately \$178.9 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$42.9 million), (2) to pay debt service (\$17.6 million), and (3) for other restricted purposes (\$2.4 million).

Revenues for governmental functions overall totaled approximately \$340.6 million in the fiscal year ended June 30, 2007, which represents an increase of 13.4% from the fiscal year ended June 30, 2006. Expenditures for governmental functions, totaling \$448.7 million, increased by 18.8% from the fiscal year ended June 30, 2006 due primarily to increased expenditures in the Transit Capital Projects Fund. In the fiscal year ended June 30, 2007, expenditures for governmental functions exceeded revenues by \$108.1 million or 31.7% of revenues. An analysis of each individual major fund follows.

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$96.9 million (the undesignated portion equaled \$43.3 million), while total fund balance was \$101.2 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balances to total fund revenues.

	Fiscal Year Ended			
	June 30, 2007		June 30, 2006	
Revenues	\$ 173,061,235		\$ 157,029,099	
Total fund balance	101,182,696	58.5 %	97,025,779	61.8 %
Unreserved fund balance	96,883,636	56.0	94,648,961	60.3
Unreserved, designated fund balance	53,618,327	31.0	53,730,157	34.2

The fund balance in the City's general fund increased by \$4.2 million during the fiscal year due mainly to the increased sales tax revenue from the continued economic recovery and increased rates of return on city investments. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2007 of \$12.8 million. This is a decrease of \$2.6 million over the comparable figure from the prior year. Expenditures increased by \$18.6 million driven primarily by a one-time claim settlement of \$10.0 million in the fiscal year ended June 30, 2007.

The **Transit Special Revenue Fund** is used to account for receipts and expenditures of Transit Tax monies. The unreserved fund balance totaled \$38.2 million at June 30, 2007, compared to a \$41.8 million unreserved fund balance at June 30, 2006. The net decrease in fund balance for the year ended June 30, 2007 was due primarily to an increase of \$9.7 million in transfers out primarily to the Transit Capital Projects fund and an increase in program expenditures of \$3.9 million.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance (restricted for general obligation debt service payments) decreased from \$18.5 million at June 30, 2006 to \$17.6 million at June 30, 2007. The total debt service fund balance will be used to service future debt issuances consistent with the City's Debt Management Plan.

The **Special Assessment Debt Service Fund** accounts for the accumulation of resources for and payments of special assessment debt. Total fund balance (restricted for special assessment debt service payments) decreased from \$340,647 at June 30, 2006 to a deficit of \$66,826 at June 30, 2007. Total special assessments receivable decreased from \$17.5 million to \$15.6 million from June 30, 2006 to June 30, 2007 as no special assessment debt was issued. The fund deficit will be offset by future operating revenues.

The **Performing Arts Capital Projects Fund** accounts for the construction of the performing and visual arts center. Total fund balance decreased by \$15.5 million for the fiscal year ended June 30, 2007 due primarily to construction costs of \$16.1 million financed through debt issued during the fiscal year ended June 30, 2006. The facility was opened in September 2007.

The **Transit Capital Projects Fund** accounts for the acquisition of buses, the light rail system, construction of the East Valley Regional Maintenance Facility, Tempe Transportation Center and other traffic flow improvements. Total fund balance decreased from \$51.4 million at June 30, 2006 to \$29.6 million at June 30, 2007. Total expenditures increased by \$61.8 million from fiscal year ended June 30, 2006 to June 30, 2007; however, the increased expenditures were offset by \$41.8 million in contributions through Valley Metro Rail (other intergovernmental revenue) primarily for construction costs related to the light rail project. In addition, a total of \$50.0 million in variable rate demand excise tax obligations were issued to finance costs related to the light rail project.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year indicated, the unrestricted net assets for the proprietary funds were as follows:

	Fiscal Year Ended	
	June 30, 2007	June 30, 2006
Water and wastewater fund	\$83,302,648	\$83,183,189
Solid waste fund	4,895,596	3,019,582
Golf fund	403,854	468,457
Cemetery fund	(47,352)	2,131,702
Internal service fund	1,689,857	(8,888,026)

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. The fund saw an increase in total net assets of \$1.8 million for the fiscal year ended June 30, 2007 compared to a decrease in net assets of \$4.6 million for the fiscal year ended June 30, 2006. This is due primarily to planned increases in charges for services revenue as a result of rate increases, decreases in non-capitalizable expenses related to the water and wastewater plant expansions and increases in capital contributions related to wastewater projects. Rate increases have been authorized and will become effective November 1, 2007 for this operation.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. Operating expenses increased \$0.6 million (4.8%) from the fiscal year ended June 30, 2006 to June 30, 2007 as revenues increased by approximately \$0.8 million (6.0%) as a result of a rate increase effective November 1, 2006.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The golf fund recognized a \$0.2 million reduction in total net assets. Although operating expenses decreased from the fiscal year ended June 30, 2006 to June 30, 2007, the Golf fund still experienced a loss due to lack of increased play as a result of continued competition from courses in neighboring cities.

The **Cemetery Fund** was established during the fiscal year ended June 30, 2005 to account for the improvements, expansion and operations of the Double Butte Cemetery. Although limited Cemetery operations occurred during the fiscal year ended June 30, 2006, Cemetery capital improvements were not yet completed as of June 30, 2007 resulting in limited operating revenues.

The **Internal Service Funds** accounts for the risk and health insurance activities of the City. The \$10.6 million increase in net assets is due primarily to a \$10.0 million deficit in the Risk Management Fund at June 30, 2006, which was funded in the current fiscal year.

Budget Highlights

The City's final General Fund expenditure budget of \$168.1 differs from the original budget of \$156.9 in that it contains carry-forward appropriations for encumbrances rolled forward from the prior fiscal year, budget transfers from other funds and a one-time \$10.0 million appropriation for a claim settlement. Carry-forward appropriations for rolled forward encumbrances were approximately \$1.3 million.

During the year, actual revenues exceeded budgetary estimates by \$11.1 million (6.9% of total budgeted revenue) in the General Fund. This is due primarily to sales taxes and investment income exceeding budgetary estimates by \$5.2 million and \$3.9 million, respectively.

Actual expenditures were less than budgetary estimates by \$2.9 million (1.7% of final budgetary estimates) in the General Fund. This positive variance was attributable to all general fund operations and does not have a significant effect on future services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2007 amount to \$1,077.4 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$95.8 million (9.8%). The tables below reflect the capital assets at the end of the fiscal year June 30, 2007 and 2006, respectively.

Capital Assets, Net of Depreciation June 30, 2007

	Governmental Activities	Business-type Activities	Total
Land	\$ 65,643,523	\$ 6,693,377	\$ 72,336,900
Buildings	101,213,761	33,525,319	134,739,080
Infrastructure	370,106,353	99,678,795	469,785,148
Improvements	84,532,386	85,521,295	170,053,681
Machinery and equipment	38,249,114	6,978,891	45,228,005
Construction in progress	131,924,290	53,362,704	185,286,994
Total	<u>\$ 791,669,427</u>	<u>\$ 285,760,381</u>	<u>\$ 1,077,429,808</u>

Capital Assets, Net of Depreciation June 30, 2006

	Governmental Activities (restated)	Business-type Activities	Total (restated)
Land	\$ 58,850,566	\$ 6,693,377	\$ 65,543,943
Buildings	86,957,374	34,664,304	121,621,678
Infrastructure	370,860,979	103,394,984	474,255,963
Improvements	82,468,547	90,921,643	173,390,190
Machinery and equipment	35,102,024	7,678,339	42,780,363
Construction in progress	90,762,296	13,288,338	104,050,634
Total	<u>\$ 725,001,786</u>	<u>\$ 256,640,985</u>	<u>\$ 981,642,771</u>

Major capital asset events during the current fiscal year included the following:

Governmental Activities

- In December 2005, construction began on the Apache Boulevard Police Substation. This \$22.3 million, 80,000 square foot project sits on a nine acre site and will house approximately 180 police employees. The facilities will house the Communications Bureau, North Patrol Bureaus, Traffic Bureau, Crime Analysis Unit and Property Evidence. Additional features will include a community plaza, a community meeting room, a police vehicle storage facility and an employee fitness center. The facility opened in Spring 2007. Expenditures related to the Apache Boulevard Police Substation totaled \$10.2 million for the fiscal year ended June 30, 2007.
- Construction continued on the Tempe Center for the Arts. The center will include a 600-seat main theater, a 200-seat studio theater, a 3,100 square foot multi-purpose room, a 3,500 square foot visual arts gallery and related administrative, technical and support spaces. Expenditures related to the Tempe Center for the Arts project totaled \$16.1 million for the fiscal year ended June 30, 2007. The center opened in September 2007.
- The Tempe Transportation Center is a three story, 40,000 square foot building which will house City of Tempe Transportation Offices, the Transit Operations Center, a community/conference room and include retail space. Scheduled to be completed in Spring 2008, expenditures totaled \$8.4 million for the fiscal year ended June 30, 2007.
- Construction costs related to the East Valley Maintenance Facility totaled \$31.7 million. The East Valley Regional Maintenance Facility is a cooperative multi-jurisdictional regional transit maintenance center located near Rio Salado Parkway and Priest Drive in Tempe. This 250-bus operations and maintenance facility will include administrative offices, maintenance facilities and fueling facilities.
- Scheduled to be completed in December 2008, the Central Phoenix/East Valley Light Rail project remained in the construction phase during the fiscal year ended June 30, 2007. Total expenditures during the year were \$97.4 million toward the project.

Business-type Activities

- Improvements to the Johnny G. Martinez Water Treatment Plant totaled \$16.8 million. Capital expenditures toward the Kyrene Utility Services Building located at the Kyrene Water Reclamation Plant totaled \$6.1 million. In addition, a total of \$18.0 million in capital contributions were made to the 91st Avenue Wastewater Treatment facility primarily for wastewater treatment plant expansions.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to Note 8 of the Notes to the Financial Statements for further information regarding capital assets.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$631.5 million which is an increase of \$101.4 million over the prior fiscal year. The increase is due primarily to water/wastewater capital projects funded with general obligation bonds and the light rail project funded with excise tax obligations.

**Outstanding Long-term Obligations
June 30, 2007**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 116,500,000	\$ 243,265,000	\$ 359,765,000
Special assessment bonds	15,345,000	-	15,345,000
Certificates of participation	1,220,000	-	1,220,000
Excise tax obligations	218,480,000	2,243,688	220,723,688
HUD Section 108 loan	7,000,000	-	7,000,000
Capital improvement notes	1,970,427	-	1,970,427
Total debt payable	360,515,427	245,508,688	606,024,115
Capital leases	4,923,764	-	4,923,764
Compensated absences	15,372,758	-	15,372,758
Claims and judgments	5,224,472	-	5,224,472
Total long-term obligations	<u>\$ 386,036,421</u>	<u>\$ 245,508,688</u>	<u>\$ 631,545,109</u>

**Outstanding Long-term Obligations
June 30, 2006**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 117,610,000	\$ 180,935,000	\$ 298,545,000
Special assessment bonds	17,490,000	-	17,490,000
Certificates of participation	1,780,000	-	1,780,000
Excise tax obligations	174,710,000	2,470,004	177,180,004
HUD Section 108 loan	7,000,000	-	7,000,000
Capital improvement notes	2,416,596	-	2,416,596
Total debt payable	321,006,596	183,405,004	504,411,600
Capital leases	6,732,171	-	6,732,171
Compensated absences	13,785,182	-	13,785,182
Claims and judgments	5,174,487	-	5,174,487
Total long-term obligations	<u>\$ 346,698,436</u>	<u>\$ 183,405,004</u>	<u>\$ 530,103,440</u>

The City's issued \$76.5 million in new general obligation debt during the current fiscal year for water/wastewater, public safety and community service improvements in the amounts of \$70.9 million, \$2.7 million and \$2.9 million, respectively. The City also issued \$50.0 million in variable rate demand excise tax obligations to fund costs related to the city's portion of the regional light rail system. In addition, the City refunded \$20.7 million in general obligation bonds and \$21.3 million in excise tax obligations.

The City's total general obligation bonded debt increased by approximately \$61.2 million. The ratio of net (total bonded debt less debt service reserves) general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies and investors. A comparison of these indicators follows:

	June 30, 2007	June 30, 2006
Net general bonded debt	\$ 98,892,233	\$ 99,062,152
Net general bonded debt per capita	594	597
Ratio of net general bonded debt to net assessed value	4.9%	5.2%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 0.88	\$ 0.88

The State constitution imposes certain debt limitations on the City of 6% and 20% of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2007 is \$142.6 million and \$106.8 million under the 6% and 20% limitation, respectively. Additional information on the statutory debt limitations may be found in Note 9 to the Financial Statements and the Statistical Section (Exhibit S-16) of this report.

During the year, the City's ratings on its outstanding general obligation bonds were AAA from Standard & Poors Corporation, Aa1 from Moody's Investors Service, and AAA from Fitch Ratings.

Additional information on the City's long-term debt can be found in Note 9 to the Financial Statements.

OTHER MATTERS

While the requirements of GASB Statements No. 43 and 45, related to financial reporting of other postemployment benefits (OPEB), will not affect the financial position of the City until fiscal year ended June 30, 2008, the impact of the requirements are anticipated to have significant financial implications. At the direction of the Mayor and Council, the financial impact and evaluation of the City's current benefit plan continue to be assessed.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, city council, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact:

City of Tempe
Financial Services Department
Accounting Division
20 E. Sixth Street
Tempe, AZ 85281
(480) 350-8350

Statement of Net Assets

June 30, 2007

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 167,535,829	\$ 95,998,536	\$ 263,534,365
Receivables:			
Taxes	12,942,497	-	12,942,497
Accounts, net	4,927,959	8,124,513	13,052,472
Accrued interest	1,471,252	699,545	2,170,797
Due from other governments	89,279,753	-	89,279,753
Inventories	1,264,615	700,812	1,965,427
Prepaid items	637,500	-	637,500
Restricted cash and investments	73,866,997	14,595,218	88,462,215
Special assessment receivables	15,584,132	-	15,584,132
Capital improvement note receivable	12,783,437	1,970,427	14,753,864
Equity in joint venture	214,375,338	125,804,532	340,179,870
Capital assets (net of accumulated depreciation):			
Land	65,643,523	6,693,377	72,336,900
Buildings	101,213,761	33,525,319	134,739,080
Infrastructure	370,106,353	99,678,795	469,785,148
Improvements	84,532,386	85,521,295	170,053,681
Machinery and equipment	38,249,114	6,978,891	45,228,005
Construction in progress	131,924,290	53,362,704	185,286,994
Total assets	<u>1,386,338,736</u>	<u>533,653,964</u>	<u>1,919,992,700</u>
Liabilities			
Accounts payable	28,149,109	5,795,222	33,944,331
Deposits	6,833,684	356,725	7,190,409
Accrued expenses	13,298,086	2,963,771	16,261,857
Unearned revenue	6,169,897	-	6,169,897
Liabilities payable from restricted assets	19,821,987	12,791,897	32,613,884
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	2,225,000	-	2,225,000
Due in more than one year	13,120,000	-	13,120,000
Other long-term liabilities:			
Due within one year	28,878,207	11,386,316	40,264,523
Due in more than one year	341,813,214	234,122,372	575,935,586
Total liabilities	<u>460,309,184</u>	<u>267,416,303</u>	<u>727,725,487</u>
Net Assets			
Invested in capital assets, net of related debt	397,087,925	177,682,915	574,770,840
Restricted for:			
Transit	67,793,751	-	67,793,751
Cultural and recreation	16,546,803	-	16,546,803
Highways and streets	12,455,648	-	12,455,648
Court enhancements	514,288	-	514,288
Debt Service	17,607,767	-	17,607,767
Unrestricted	414,023,370	88,554,746	502,578,116
Total net assets	<u>\$ 926,029,552</u>	<u>\$ 266,237,661</u>	<u>\$ 1,192,267,213</u>

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 60,929,075	\$ 831,973	\$ 2,030,562	\$ -
Fire	22,563,083	1,116,101	885,126	24,900
Community services	16,072,936	5,353,815	884,395	28,042
Parks and recreation	20,015,034	30,053	48,904	544,996
Public works	56,869,440	7,940,104	999,359	92,575,335
Community relations	2,816,030	-	-	-
Mayor and council	362,281	-	-	-
City manager	445,531	-	-	-
Diversity program	548,552	-	-	-
Internal audit/consulting	476,089	-	-	-
City clerk and elections	528,493	-	-	-
City attorney	2,903,028	-	47,571	-
Municipal courts	4,708,606	7,687,007	247,132	-
Development services	8,611,601	5,891,971	-	-
Community development	21,444,736	526,893	13,661,292	10,239,394
Financial services	4,597,029	1,900,016	8,189	-
Human resources	2,877,320	-	-	-
Information technology	889,443	-	-	-
Non-departmental	8,127,073	284,084	-	-
Interest on long-term debt	13,996,681	-	-	-
Total governmental activities	249,782,061	31,562,017	18,812,530	103,412,667
Business-type activities:				
Water/Wastewater	53,688,700	50,922,496	-	4,782,425
Solid Waste	12,403,387	13,820,128	-	-
Golf course	2,225,214	1,912,286	-	-
Cemetery	171,817	18,339	-	-
Total business-type activities	68,489,118	66,673,249	-	4,782,425
Total government	\$ 318,271,179	\$ 98,235,266	\$ 18,812,530	\$ 108,195,092

General revenues:

Sales taxes
 State shared income taxes, unrestricted
 Property taxes
 Franchise taxes
 Auto-lieu taxes
 Unrestricted investment earnings
 Miscellaneous
 Gain on sale of capital assets

Transfers

Total general revenues and transfers
 Change in net assets

Net assets- beginning

Net assets- ending

City of Tempe, Arizona

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (58,066,540)	\$ -	\$ (58,066,540)
(20,536,956)	-	(20,536,956)
(9,806,684)	-	(9,806,684)
(19,391,081)	-	(19,391,081)
44,645,358	-	44,645,358
(2,816,030)	-	(2,816,030)
(362,281)	-	(362,281)
(445,531)	-	(445,531)
(548,552)	-	(548,552)
(476,089)	-	(476,089)
(528,493)	-	(528,493)
(2,855,457)	-	(2,855,457)
3,225,533	-	3,225,533
(2,719,630)	-	(2,719,630)
2,982,843	-	2,982,843
(2,688,824)	-	(2,688,824)
(2,877,320)	-	(2,877,320)
(889,443)	-	(889,443)
(7,842,989)	-	(7,842,989)
(13,996,681)	-	(13,996,681)
(95,994,847)	-	(95,994,847)
-	2,016,221	2,016,221
-	1,416,741	1,416,741
-	(312,928)	(312,928)
-	(153,478)	(153,478)
-	2,966,556	2,966,556
(95,994,847)	2,966,556	(93,028,291)
157,488,587	-	157,488,587
18,823,759	-	18,823,759
26,826,227	-	26,826,227
2,693,256	-	2,693,256
6,870,739	-	6,870,739
13,337,247	3,305,406	16,642,653
2,780,229	716,338	3,496,567
-	48,264	48,264
3,711,910	(3,711,910)	-
232,531,954	358,098	232,890,052
136,537,107	3,324,654	139,861,761
789,492,445	262,913,007	1,052,405,452
\$ 926,029,552	\$ 266,237,661	\$ 1,192,267,213

The notes to the financial statements are an integral part of this statement.

Balance Sheet

Governmental Funds

June 30, 2007

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Assets				
Pooled cash and investments	\$ 84,945,511	\$ -	\$ 17,281,385	\$ -
Receivables:				
Taxes	8,601,829	2,990,693	608,876	-
Accounts	4,705,369	-	-	-
Accrued interest	1,103,181	279,641	-	-
Due from other funds	17,793,248	32,302,986	-	-
Due from other governments	1,376,322	8,841,660	-	-
Inventories	303,095	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	385,423	1,242,179	11,179,540	520,951
Special assessments	-	-	-	15,584,132
Capital improvement notes receivable	-	-	12,783,437	-
Total assets	<u>\$ 119,213,978</u>	<u>\$ 45,657,159</u>	<u>\$ 41,853,238</u>	<u>\$ 16,105,083</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 3,867,684	\$ 6,157,914	\$ 5,296	\$ 2,267
Deposits	6,094,643	-	-	-
Accrued expenditures	2,708,321	50,195	-	-
Claims and judgements	1,122,303	20,425	-	-
Due to other funds	-	-	-	190,085
Deferred revenue	4,238,331	-	13,134,402	15,584,132
Matured bonds payable	-	890,000	7,870,000	-
Matured interest payable	-	315,084	3,235,773	395,425
Total liabilities	<u>18,031,282</u>	<u>7,433,618</u>	<u>24,245,471</u>	<u>16,171,909</u>
Fund Balances				
Fund balances (deficit):				
Reserved for:				
Encumbrances	3,505,965	38,915	-	-
Inventories and prepaid items	303,095	-	-	-
Notes receivable	490,000	-	-	-
Debt Service	-	-	17,607,767	-
Unreserved, designated (see note 16)	53,618,327	-	-	-
Unreserved, reported in:				
General fund	43,265,309	-	-	-
Debt Service	-	-	-	(66,826)
Special revenue funds	-	38,184,626	-	-
Capital projects funds	-	-	-	-
Total fund balances (deficit)	<u>101,182,696</u>	<u>38,223,541</u>	<u>17,607,767</u>	<u>(66,826)</u>
Total liabilities and fund balances	<u>\$ 119,213,978</u>	<u>\$ 45,657,159</u>	<u>\$ 41,853,238</u>	<u>\$ 16,105,083</u>

City of Tempe, Arizona

Performing Arts Capital Projects	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 54,368,728	\$ 156,595,624
-	-	741,099	12,942,497
-	-	117,949	4,823,318
-	-	88,430	1,471,252
-	-	2,173,634	52,269,868
-	74,698,949	4,362,822	89,279,753
-	-	961,520	1,264,615
-	-	637,500	637,500
4,076,702	49,447,498	7,014,704	73,866,997
-	-	-	15,584,132
-	-	-	12,783,437
<u>\$ 4,076,702</u>	<u>\$ 124,146,447</u>	<u>\$ 70,466,386</u>	<u>\$ 421,518,993</u>

\$ 1,005,271	\$ 14,436,898	\$ 2,402,314	\$ 27,877,644
-	-	739,041	6,833,684
-	-	258,054	3,016,570
-	-	55,264	1,197,992
2,173,634	48,046,456	1,859,693	52,269,868
-	32,092,883	3,708,641	68,758,389
-	-	4,860,000	13,620,000
-	-	2,255,705	6,201,987
<u>3,178,905</u>	<u>94,576,237</u>	<u>16,138,712</u>	<u>179,776,134</u>

1,670,272	32,985,109	4,658,579	42,858,840
-	-	1,599,020	1,902,115
-	-	-	490,000
-	-	-	17,607,767
-	-	475,669	54,093,996
-	-	-	43,265,309
-	-	-	(66,826)
-	-	26,838,176	65,022,802
(772,475)	(3,414,899)	20,756,230	16,568,856
<u>897,797</u>	<u>29,570,210</u>	<u>54,327,674</u>	<u>241,742,859</u>
<u>\$ 4,076,702</u>	<u>\$ 124,146,447</u>	<u>\$ 70,466,386</u>	<u>\$ 421,518,993</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2007

City of Tempe, Arizona

Fund balances- total governmental funds \$ 241,742,859

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	1,190,711,112	
Accumulated depreciation	<u>(399,041,685)</u>	
		791,669,427

The equity in joint venture is not a financial resource and, therefore, is not reported in the funds. 214,375,338

Other assets are not available to pay current-period expenditures and, therefore are offset by deferred/unearned revenue.

Deferred special assessment revenue	15,584,132	
Deferred tax and Tempe Sports Authority revenue	13,530,157	
Deferred court revenue	3,842,576	
Capital grant and contribution monies not received within 60 days	<u>32,092,883</u>	
		65,049,748

Bond premium net of issuance costs are not financial resources and, therefore are not reported in the funds. (2,461,256)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.

Compensated absences	(15,372,758)	
Claims and judgments	(5,224,472)	
Bonds, capital improvement notes and capital leases	<u>(365,439,191)</u>	
		(386,036,421)

Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.

1,689,857

Net assets of governmental activities \$ 926,029,552

The notes to the financial statements are an integral part of this statement.



Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2007

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Revenues:				
Taxes:				
Sales taxes	\$ 86,859,887	\$ 34,971,294	\$ -	\$ -
Property taxes	9,542,646	-	17,383,725	-
Franchise taxes	2,693,256	-	-	-
Intergovernmental:				
Federal grants	-	228,320	-	-
State grants	89,106	-	-	-
State sales tax	15,758,491	-	-	-
State income tax	18,823,759	-	-	-
Auto lieu tax	6,870,739	-	-	-
Other	93,964	-	-	-
Investment income	8,880,968	1,334,160	28,720	5,506
Charges for services	11,069,521	8,426,329	-	-
Fines and forfeitures	7,219,328	482,477	-	-
Other entities' participation	-	-	28,041	-
Special assessments	-	-	-	2,610,195
Licenses and permits	1,524,891	-	-	-
Miscellaneous	3,634,679	176,904	-	-
Total revenues	173,061,235	45,619,484	17,440,486	2,615,701
Expenditures:				
Current:				
Police	58,009,512	-	-	-
Fire	20,163,838	-	-	-
Community services	13,042,411	-	-	-
Parks and recreation	15,087,120	-	-	-
Public works	8,811,799	29,162,742	-	-
Community relations	2,773,675	-	-	-
Mayor and council	362,281	-	-	-
City manager	440,915	-	-	-
Diversity program	542,292	-	-	-
Internal audit/consulting	462,751	-	-	-
City clerk and elections	484,894	-	-	-
City attorney	2,797,065	-	-	-
Municipal courts	3,868,603	-	-	-
Development services	16,373,867	-	-	-
Community development	3,865,954	-	-	-
Financial services	4,342,723	-	-	-
Human resources	2,842,328	-	-	-
Non-departmental	6,031,097	-	-	-
Debt service:				
Principal retirement	-	890,000	7,870,000	2,145,000
Interest and fiscal fees	-	3,139,588	6,778,193	878,174
Capital outlay	-	-	-	-
Total expenditures	160,303,125	33,192,330	14,648,193	3,023,174
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	12,758,110	12,427,154	2,792,293	(407,473)
Other financing sources (uses):				
Transfers in	48,465	860,442	-	-
Transfers out	(8,864,272)	(16,986,669)	(3,907,023)	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	633,969	-
Capital lease proceeds	108,464	-	-	-
Proceeds from sale of capital assets	106,150	-	-	-
Proceeds of refunding bonds	-	-	14,566,511	-
Payment to refunded bond escrow agent	-	-	(15,025,831)	-
Total other financing sources (uses)	(8,601,193)	(16,126,227)	(3,732,374)	-
Net change in fund balances	4,156,917	(3,699,073)	(940,081)	(407,473)
Fund balance at beginning of year	97,025,779	41,922,614	18,547,848	340,647
Fund balance at end of year	\$ 101,182,696	\$ 38,223,541	\$ 17,607,767	\$ (66,826)

City of Tempe, Arizona

Performing Arts Capital Projects	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 8,044,827	\$ 129,876,008
-	-	74,291	27,000,662
-	-	-	2,693,256
-	13,444,187	14,827,028	28,499,535
-	489,459	378,462	957,027
-	-	11,854,088	27,612,579
-	-	-	18,823,759
-	-	-	6,870,739
-	41,812,050	3,068,666	44,974,680
577,353	1,319,270	1,191,270	13,337,247
-	-	747,047	20,242,897
-	-	705,449	8,407,254
-	187,500	1,859,012	2,074,553
-	-	-	2,610,195
-	-	-	1,524,891
-	118,950	1,130,871	5,061,404
577,353	57,371,416	43,881,011	340,566,686
-	-	2,191,445	60,200,957
-	-	890,832	21,054,670
-	-	2,247,277	15,289,688
-	-	78,956	15,166,076
-	-	11,052,323	49,026,864
-	-	-	2,773,675
-	-	-	362,281
-	-	-	440,915
-	-	-	542,292
-	-	-	462,751
-	-	-	484,894
-	-	47,571	2,844,636
-	-	793,611	4,662,214
-	-	904,465	17,278,332
-	-	16,700,822	20,566,776
-	-	-	4,342,723
-	-	-	2,842,328
-	-	-	6,031,097
-	-	4,860,000	15,765,000
-	-	4,443,805	15,239,760
16,100,666	147,055,629	30,156,524	193,312,819
16,100,666	147,055,629	74,367,631	448,690,748
(15,523,313)	(89,684,213)	(30,486,620)	(108,124,062)
-	18,420,188	18,634,692	37,963,787
(24)	(599,700)	(3,893,089)	(34,250,777)
-	50,000,000	5,640,000	55,640,000
-	-	1,112,553	1,746,522
-	-	-	108,464
-	-	550,453	656,603
-	-	17,088,489	31,655,000
-	-	(17,992,145)	(33,017,976)
(24)	67,820,488	21,140,953	60,501,623
(15,523,337)	(21,863,725)	(9,345,667)	(47,622,439)
16,421,134	51,433,935	63,673,341	289,365,298
\$ 897,797	\$ 29,570,210	\$ 54,327,674	\$ 241,742,859

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ (47,622,439)

Amounts reported for the governmental activities in the statement of activities are different because:

Compensated absences and long-term claims and judgements reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. (1,637,561)

Certain revenues in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Property tax and charges for services revenue	(138,059)	
Court revenue	1,668,562	
Capital grants and contributions	42,422,558	
Special assessments received	(1,912,489)	
		42,040,572

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital expenditures	200,417,459	
Depreciation expense	(28,519,919)	
Basis on sale of capital assets	(773,370)	
		171,124,170

Lease payments are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets while the acquisition of new leases increase the liability.

Principal payments made	732,244	
Capital lease agreements	(108,464)	
		623,780

Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets.

Bond issuance costs	1,026,383	
Amortization of bond issuance costs	216,696	
		1,243,079

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.

General obligation bonds	(55,640,000)	
Refunding general obligation bonds	(31,655,000)	
Premium on issuance of debt	(1,746,522)	
Principal payments made	16,211,169	
Payment made to refunding agent	33,017,976	
		(39,812,377)

Internal service funds are used by management to charge the costs of self-insurance to individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs.

10,577,883

Changes in net assets of governmental activities \$ 136,537,107

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

General Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 93,873,745	\$ 93,873,745	\$ 99,095,789	\$ 5,222,044
Intergovernmental	40,809,492	40,809,492	41,636,059	826,567
Investment income	3,534,039	3,534,039	7,441,493	3,907,454
Charges for services	10,621,429	10,621,429	11,069,521	448,092
Fines and forfeitures	7,502,027	7,502,027	7,219,328	(282,699)
Licenses and permits	1,750,506	1,750,506	1,524,891	(225,615)
Miscellaneous	2,434,450	2,434,450	3,634,679	1,200,229
Total revenues	160,525,688	160,525,688	171,621,760	11,096,072
Expenditures				
Police	59,512,347	60,214,597	59,150,214	1,064,383
Fire	20,063,940	21,821,227	21,815,260	5,967
Community services	13,081,200	13,131,182	13,126,160	5,022
Parks and recreation	14,736,143	14,950,345	14,941,237	9,108
Public works	8,822,891	10,008,714	10,077,703	(68,989)
Community relations	2,952,643	2,981,380	2,880,146	101,234
Mayor and council	399,696	399,696	361,852	37,844
City manager	422,762	438,218	429,354	8,864
Diversity program	732,197	694,045	662,787	31,258
Internal audit/consulting	464,381	469,258	463,252	6,006
City clerk and elections	621,974	572,088	484,604	87,484
City attorney	2,786,507	2,839,083	2,794,620	44,463
Municipal courts	3,943,906	3,938,106	3,885,797	52,309
Development services	6,310,149	16,710,364	16,505,678	204,686
Community development	3,578,934	3,930,547	3,933,670	(3,123)
Financial services	4,674,269	4,462,685	4,379,985	82,700
Human resources	2,932,056	2,934,068	2,903,528	30,540
Information technology	12,860,009	13,454,861	13,466,905	(12,044)
Interdepartmental charges	(12,860,009)	(12,860,009)	(13,058,429)	198,420
Non-departmental	10,875,322	7,016,226	6,015,555	1,000,671
Total expenditures	156,911,317	168,106,681	165,219,878	2,886,803
Other financing sources (uses)				
Transfers from other funds	-	-	48,465	48,465
Transfers to other funds	(2,082,971)	(2,082,971)	(8,864,272)	(6,781,301)
Proceeds from sale of capital assets	-	-	106,150	106,150
Total other financing sources (uses)	(2,082,971)	(2,082,971)	(8,709,657)	(6,626,686)
Net change in fund balance	\$ 1,531,400	\$ (9,663,964)	(2,307,775)	\$ 7,356,189

Explanation of differences between budgetary revenues and expenditures, and GAAP revenues and expenditures:

The City does not budget for the change in the fair value of investment, but recognizes the change for GAAP purposes	1,439,475
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	1,482,267
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	3,505,965
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	36,985
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	\$ 4,156,917

The notes to the financial statements are an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget to Actual**

Transit Special Revenue Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 33,984,000	\$ 33,984,000	\$ 34,971,294	\$ 987,294
Intergovernmental	7,026,034	7,026,034	8,654,649	1,628,615
Investment income	989,577	989,577	1,141,839	152,262
Fines and forfeitures	568,288	568,288	482,477	(85,811)
Miscellaneous	150,000	150,000	176,904	26,904
Total revenues	<u>42,717,899</u>	<u>42,717,899</u>	<u>45,427,163</u>	<u>2,709,264</u>
Expenditures				
Current:				
Public works	29,381,363	29,483,685	29,211,324	272,361
Contingency	449,232	449,232	-	449,232
Debt service:				
Principal retirement	2,144,973	2,144,973	890,000	1,254,973
Interest and fiscal fees	3,338,000	3,338,000	3,139,588	198,412
Total expenditures	<u>35,313,568</u>	<u>35,415,890</u>	<u>33,240,912</u>	<u>2,174,978</u>
Other financing sources (uses)				
Transfers from other funds	258,500	258,500	860,442	601,942
Transfers to other funds	(16,986,279)	(16,986,279)	(16,986,669)	(390)
Total other financing sources (uses)	<u>(16,727,779)</u>	<u>(16,727,779)</u>	<u>(16,126,227)</u>	<u>601,552</u>
Net change in fund balance	<u>\$ (9,323,448)</u>	<u>\$ (9,425,770)</u>	<u>(3,939,976)</u>	<u>\$ 5,485,794</u>

**Explanation of differences between budgetary revenues and expenditures,
and GAAP revenues and expenditures:**

The City does not budget for the change in the fair value of investment, but recognizes the change for GAAP purposes	192,321
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(982)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	38,915
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	10,649
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ (3,699,073)</u>

The notes to the financial statements are an integral part of this statement.



Statement of Net Assets

Proprietary Funds

June 30, 2007

City of Tempe, Arizona

Assets	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Current assets:						
Pooled cash and investments	\$ 90,576,723	\$ 4,960,436	\$ 461,377	\$ -	\$ 95,998,536	\$ 10,940,205
Restricted cash and investments	12,525,029	-	144,095	1,926,094	14,595,218	-
Accounts receivable	7,101,948	1,022,565	-	-	8,124,513	104,641
Accrued interest receivable	636,972	48,961	13,612	-	699,545	-
Due from other funds	847,882	-	-	-	847,882	-
Inventories	700,812	-	-	-	700,812	-
Total current assets	112,389,366	6,031,962	619,084	1,926,094	120,966,506	11,044,846
Noncurrent assets:						
Capital improvement notes receivable	1,970,427	-	-	-	1,970,427	-
Equity in joint venture	125,804,532	-	-	-	125,804,532	-
Capital Assets:						
Land	6,330,829	-	362,548	-	6,693,377	-
Buildings	48,197,957	1,265,783	1,822,663	-	51,286,403	-
Infrastructure	199,347,153	-	-	-	199,347,153	-
Improvements	137,411,155	-	4,247,980	-	141,659,135	-
Machinery and equipment	25,136,347	16,679,473	1,285,982	19,449	43,121,251	-
Construction in progress	51,976,789	-	46,952	1,338,963	53,362,704	-
Less accumulated depreciation	(190,681,004)	(14,038,916)	(4,988,101)	(1,621)	(209,709,642)	-
Total capital assets (net of accumulated depreciation)	277,719,226	3,906,340	2,778,024	1,356,791	285,760,381	-
Total noncurrent assets	405,494,185	3,906,340	2,778,024	1,356,791	413,535,340	-
Total assets	\$ 517,883,551	\$ 9,938,302	\$ 3,397,108	\$ 3,282,885	\$ 534,501,846	\$ 11,044,846

Liabilities	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Current liabilities:						
Accounts payable	\$ 5,075,020	\$ 645,179	\$ 73,055	\$ 1,968	\$ 5,795,222	\$ 271,465
Deposits	356,725	-	-	-	356,725	-
Accrued expenses	2,326,960	491,187	138,080	7,544	2,963,771	9,083,524
Due to other funds	-	-	-	847,882	847,882	-
Accrued interest payable	4,002,933	-	4,095	49,869	4,056,897	-
General obligation bonds- current	8,515,000	-	-	-	8,515,000	-
Excise tax revenue obligations- current	-	-	-	-	80,000	-
Tempe Municipal Property Corporation bonds payable	-	-	140,000	-	140,000	-
Total current liabilities	20,276,638	1,136,366	355,230	987,263	22,755,497	9,354,989
Noncurrent liabilities:						
General obligation bonds payable	243,265,000	-	-	-	243,265,000	-
Excise tax revenue obligations	-	-	-	2,130,000	2,130,000	-
Unamortized premium	-	-	-	113,688	113,688	-
Total noncurrent liabilities	243,265,000	-	-	2,243,688	245,508,688	-
Total liabilities	263,541,638	1,136,366	355,230	3,230,951	268,264,185	9,354,989
Net Assets						
Invested in capital assets, net of related debt	171,039,265	3,906,340	2,638,024	99,286	177,682,915	-
Unrestricted	83,302,648	4,895,596	403,854	(47,352)	88,554,746	1,689,857
Total net assets	\$ 254,341,913	\$ 8,801,936	\$ 3,041,878	\$ 51,934	\$ 266,237,661	\$ 1,689,857

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2007

	City of Tempe, Arizona				
	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total
Operating revenues:					
Charges for services	\$ 50,922,496	\$ 13,820,128	\$ 1,912,286	\$ 18,339	\$ 66,673,249
Miscellaneous	715,485	-	853	-	716,338
Total operating revenues	51,637,981	13,820,128	1,913,139	18,339	67,389,587
Operating expenses:					
Personal services	13,265,285	4,611,193	1,005,028	66,208	18,947,714
Supplies and materials	3,232,320	205,509	248,628	1,069	3,687,526
Fees and services	16,257,395	6,688,925	652,223	9,294	23,607,837
Depreciation	12,290,548	897,760	309,131	1,621	13,499,060
Total operating expenses	45,045,548	12,403,387	2,215,010	78,192	59,742,137
Operating income (loss)	6,592,433	1,416,741	(301,871)	(59,853)	7,647,450
Nonoperating revenues (expenses):					
Investment income	2,983,212	211,316	22,698	88,180	3,305,406
Interest and fiscal fees	(8,313,103)	-	(10,204)	(93,625)	(8,416,932)
Gain on sale of capital asset	8,751	39,513	-	-	48,264
Net loss from joint venture	(330,049)	-	-	-	(330,049)
Income (loss) before operating transfers	941,244	1,667,570	(289,377)	(65,298)	2,254,139
Capital contributions	4,782,425	-	-	-	4,782,425
Transfers in	542,833	-	50,642	183,073	776,548
Transfers out	(4,488,328)	(130)	-	-	(4,488,458)
Change in net assets	1,778,174	1,667,440	(238,735)	117,775	3,324,654
Total net assets- beginning	252,563,739	7,134,496	3,280,613	(65,841)	262,913,007
Total net assets- ending	\$ 254,341,913	\$ 8,801,936	\$ 3,041,878	\$ 51,934	\$ 266,237,661
					\$ 1,689,857

The notes to the financial statements are an integral part of this statement.

For the Year Ended June 30, 2007

The notes to the financial statements are an integral part of this statement.



Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

The City of Tempe, Arizona (the "City") was incorporated on November 26, 1894. On October 19, 1964, the electors in accordance with Arizona State Law ratified a Home Rule City Charter. The City operates under a Council-Manager form of government and provides services as authorized by its charter including: public safety (police, fire, building inspection), highways and streets, public transit, sanitation, water and wastewater, cultural-recreational, community development, and administrative.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the City's significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units.

A. Reporting Entity

The accompanying basic financial statements include the City and all its component units, collectively referred to as "the financial reporting entity". In accordance with the Governmental Accounting Standards Board's ("GASB") Statement 14, as amended, the component units discussed below have been included in the City's financial reporting entity because of the significance of their financial relationships with the City.

City of Tempe Municipal Property Corporation: The Tempe Municipal Property Corporation (the "Municipal Property Corporation") is a nonprofit corporation organized under the laws of the State of Arizona to assist the City in financing its capital improvements projects.

Rio Salado Community Facilities District: The Rio Salado Community Facilities District (CFD) was organized on February 20, 1997, under the laws of the State of Arizona to facilitate development of the Rio Salado Town Lake project. The board of the district is comprised of the same members as the City's council.

Data for these component units have been included in the City's basic financial statements utilizing the "blending" method because their sole purpose is to finance public facilities and facilitate development for the City. Blending involves aggregating the component units' data and data from the City at the government-wide and fund financial statement level. Separately issued financial statements are not available for the City's component units.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the City as a whole and its component units) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented prior to the adoption of GASB Statement 34. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statement should directly reconcile to the business-type activity column presented in the government-wide statements.

Internal service funds of a government (which traditionally provide services primarily to other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

C. Basis of Presentation

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the City:

Governmental Funds

Governmental Funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Funds (Continued)

Governmental Funds include the following fund types:

General - The General Fund is the general operating fund of the City. It is used to account for all activities of the City not accounted for in some other fund.

Special Revenue - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally or otherwise restricted to expenditures for specified purposes. There is one special revenue fund presented as a major fund in the basic financial statements, it is as follows:

Transit Special Revenue Fund - accounts for the receipt and expenditures of the Transit Tax monies. These monies are restricted to financing transit operations and improvements.

Debt Service - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long term debt not being accounted for in the Special Revenue Funds and Enterprise Funds. Both debt service funds are presented as major funds in the basic financial statements:

General Obligation Debt Service Fund - accounts for the accumulation of resources and payments of general obligation debt.

Special Assessment Debt Service Fund - accounts for the accumulation of resources and payments of special assessment debt.

Capital Projects - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds). The following capital project funds are presented as major funds in the basic financial statements:

Performing Arts Capital Projects Fund - used for the construction of the performing and visual arts center.

Transit Capital Projects Fund - used for the acquisition of buses, the light rail system, and other traffic flow improvements.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net assets, financial position and cash flows. Each proprietary fund is reported as a major fund in the basic financial statements.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Funds (Continued)

Proprietary funds include the following fund types:

Enterprise - Enterprise Funds are used to account for operations, including debt service, (a) that are financed and operated in a manner similar to private businesses - where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Equity in Joint Venture - The equity method is used to account for the City's equity interest in a joint venture (See Note 7). Under this method, the equity interest is recorded in the balance sheet as a single amount. In addition, the City's share of the net income or loss is reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, as a nonoperating revenue or expense.

The following enterprise funds are used by the City:

Water and Wastewater Fund - accounts for the provision of water and sewer services to the residents of the City and some residents in the adjoining Town of Guadalupe. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection.

Solid Waste Fund - accounts for the provision of refuse collection and disposal services for both residential and commercial customers. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing, billing and collection.

Golf Course Fund - accounts for the operation of the Rolling Hills and Ken McDonald golf courses. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance and financing.

Cemetery Fund - accounts for the operation of the Double Butte cemetery. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance and financing.

Internal Service - Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Risk Management Fund - accounts for expenses incurred for worker's compensation, automobile liability, general liability, and property claims under the City's self-insurance program.

Health Fund - accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the annual budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the governmental fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government's water and sewer function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

GASB No. 20 requires that governments with proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Accounting Principles Board Opinion No. 22, Disclosure of Accounting Policies, require the same treatment for the government-wide financial statements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989 for the government-wide or enterprise fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

E. Budgetary Data

State law mandates that cities and towns adopt a budget annually. As a result, an operating budget is legally adopted each fiscal year for the General, Special Revenue (except Grants and Court Awards), Debt Service (except Special Assessments), and Proprietary Funds on a modified accrual basis plus encumbrances. The separately issued annual budget may be obtained from the City's Financial Services Department, Budget and Research Division, 20 East Sixth Street, Tempe, Arizona, 85281.

Certain differences as described in Note 2 exist between the basis of accounting used for budgetary purposes and that used for reporting purposes in accordance with GAAP.

The legal level of budgetary control is the total operating budget as adopted. Management may amend the budget at any level below the total operating budget as adopted. The total operating budget can only be amended by the City Council subject to limitations in the State law (see Note 1F). At the end of each fiscal year, all amounts encumbered are reappropriated as part of the following year's operating budget. Any appropriations that are either unexpended or unencumbered, lapse at fiscal year-end. No supplemental appropriations were necessary during the year.

The City adheres to the following procedures in establishing the budgetary data reflected in the basic financial statements:

- 1) Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenues and expenditures.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to July 1, the budget is legally enacted through passage of a resolution.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Expenditure Limitation

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments, which restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimates Commission to determine each year the expenditure limitation for the following fiscal year for each city. The limitation is calculated based upon the amount of FY 1979-1980 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population and inflation to reach the expenditure limitations. The City of Tempe's 2006-07 Expenditure Limitation is \$253,254,607.

Local governments may carryforward to later years revenues, which are not subject to the expenditure limitation and were not expended in the year of receipt.

G. Pooled Cash and Investments

Cash resources of the City are combined to form a pool of cash and investments managed by the Accounting Division. Excluded from this pool are certain legally restricted cash resources. In accordance with the City's legally adopted budget, the interest earned on pooled investments is recorded in the General Fund, except for the earnings of Enterprise Funds and other funds whose interest earnings are specifically mandated by law or an outside regulating agency to remain in those funds. Investments are stated at fair value.

The City's investment policy permits investment in the following instruments:

- 1) Obligations of the United States Government, its agencies and instrumentalities;
- 2) Fully insured or collateralized certificates of deposit and other evidences of deposit at banks and savings and loan associations;
- 3) Bankers' acceptances issued by the 10 largest domestic banks and the 20 largest international banks, provided collateral meets the standards set by the Financial Services Manager;
- 4) A-1/P-1 rated commercial paper secured by an irrevocable line of credit or collateralized by U.S. government securities;
- 5) Repurchase agreements whose underlying collateral consist of the foregoing;
- 6) Money market funds whose portfolios consist of the foregoing; and
- 7) The State of Arizona's Local Government Investment Pool.

H. Receivables

For accounts receivable (utility billing receivables), all amounts outstanding in excess of 120 days are included in the allowance.

I. Inventories and Prepaid Items

All inventories are valued using the average cost method. They consist of expendable supplies held for consumption and are accounted for using the consumption method.

Prepaid items consist of a lease payment applicable to a future accounting period. It is recorded as a prepaid item in both the government-wide and fund financial statements.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net assets, because they are maintained in trust accounts and their use is limited by applicable debt covenants.

K. Capital Assets

Capital assets, including public domain infrastructure (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$25,000 for infrastructure assets) and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	30-70
Improvements	10-50
Machinery and equipment	5-20
Infrastructure	20-70

L. Compensated Absences

Accumulated unpaid vacation, vested sick pay and vested "Mediflex" supplementary health maintenance benefits are accrued in the Government-wide and all Proprietary Fund statements. Compensated absences are only reported in the governmental funds if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). These long-term liabilities of the governmental funds are not shown on the fund financial statements, as the benefits are not expected to be liquidated with expendable available financial resources.

Vacation leave will be absorbed by time off from work or, within certain limitations, may be payable to the employees. Sick leave is accumulated at the rate of 96 hours (or a proportionate equivalent for employees with workweeks other than 40 hours) per year up to a maximum of 480 hours. Each year, hours accumulated in excess of 480 hours are either converted to cash at a 4-for-1 rate or accumulated in a "sick bank". Upon retirement or resignation, employees with at least 10 years service are eligible for compensation of up to 50 percent of accumulated sick leave.

Each employee with 3 years service receives a "Mediflex" allowance each year as reimbursement for all otherwise nonreimbursed health maintenance costs. Benefits are prorated based on length of service and increase up to a maximum of \$650 a year. Unused credits are cumulative and upon employee termination are "banked" at the following rates: after 10 years, 50 percent; after 15 years, 75 percent; after 20 years, 100 percent.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, in the period in which the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Interfund Transactions

Interfund transactions consist of identified services performed for other funds or costs billed to other funds and are recorded as expenditures in the fund receiving the services and as a reimbursement, reducing expenditures, in the fund performing the services except for sales of water, sewer and refuse services to other City departments and the internal service risk management or health charges which are recorded as revenue and expenditures in the appropriate funds. All other interfund transactions are reported as transfers.

O. Fund Equity

In the fund financial statements, reserved fund equity is defined as that portion of fund equity that has legally been segregated for specific purposes. Designated fund equity is defined as that portion of fund equity for which the City has made tentative plans for future use of financial resources. Unreserved/undesignated fund equity is defined as that portion of fund equity, which is available for use in a future period.

P. Statements of Cash Flows

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. For the purposes of the statement of cash flows, all pooled cash and investments are also considered to be cash equivalents, although there are investments with maturities in excess of three months when purchased in the portfolio. This is due to the fact that the Proprietary funds may deposit or withdraw cash at any time without prior notice or penalty, having the characteristics of demand deposits. In a statement of cash flows, cash receipts and payments are classified according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities.

Q. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 2 - BUDGET BASIS OF ACCOUNTING

Arizona state statutes require accounting for certain transactions to be on a basis other than GAAP. The actual results of operations, in accordance with state statutes ("budget basis") are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the General Fund and Transit Special Revenue Fund (major funds) to provide a meaningful comparison of actual results with the budget. Budgetary statements include a reconciliation of the adjustments required to convert the budgetary basis to GAAP basis.

The major differences between the budget and GAAP bases are:

- 1) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).
- 2) Certain revenues and expenditures not recognized in the budgetary year are accrued (GAAP).

NOTE 3 - PROPERTY TAXES

Under Arizona law a two-tiered tax system exists: (1) a primary system for taxes levied to pay for current operation and maintenance expenses, and (2) a secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of the maximum permissible bonded indebtedness.

Specific provisions are made under each system for determining full cash values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the full cash value of locally assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% only under certain circumstances. Under the secondary system, there is no limitation on annual increases in full cash value of any property. Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.

The City's property tax is levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Maricopa County Assessor. Levies are due and payable in two installments on October 1 and March 1, and become delinquent on November 1 and May 1, respectively. Delinquent amounts bear interest at the rate of 16%. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes.

Public auctions of properties which have delinquent real estate taxes are held in February following the May 1 date upon which the second installment becomes delinquent. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase, which has not been redeemed, may demand of the County Treasurer a County Treasurer's Deed. Additionally, a lien against property assessed attaches on the first day of January preceding the assessment and levy thereof.

Using the accrual basis of accounting, property taxes are recognized as revenue when earned in the government-wide financial statements. In the governmental funds, property taxes are recognized as revenue on the modified accrual basis, i.e., when both measurable and available. Property taxes levied in August 2007 are not available for the current year; accordingly, such taxes will not be recognized as revenue until the subsequent fiscal year. Prior year levies were recorded using these same principles, and remaining receivables from such levies are also recognized as revenue, when available.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Assets and on the Balance Sheet as "Pooled cash and investments." Pooled cash and investments are stated at fair value, with accrued interest shown under "Accrued interest receivable". The change in fair value of the investments is recorded in investment income. Restricted cash and investments are amounts held separately by trustees and segregated due to their source and future intent. Amounts held by trustees are invested in money market securities, maturing within one year from the time of purchase, and are reported at amortized cost.

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was \$2,759,518 and the bank balance was \$11,283,961. Of the bank balance, \$200,000 was covered by federal depository insurance and \$11,083,961 was covered by collateral held in the pledging bank's trust department in the City's name.

Investments

City Charter, Ordinance, and Trust Agreements authorize the City to invest in US treasury obligations, US agency obligations, certificates of deposit that are fully insured or collateralized, banker's acceptances issued by the 10 largest domestic banks and the 20 largest international banks, A-1/P-1 rated commercial paper secured by an irrevocable line of credit or collateralized by US government securities, repurchase agreements whose underlying collateral consist of the foregoing, money market funds whose portfolios consist of the foregoing and the Arizona Local Government Investment Pool.

The City's investment in the State of Arizona Local Government Investment Pools (LGIP and LGIP-GOVT) is stated at fair value, which approximates the value of the City's pool shares. The LGIP and LGIP-GOVT are operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes, §35-312 and §35-313, regulate authorized investments. The Arizona State Legislature has created the Arizona Board of Investments which reviews the investment of state monies, serving as trustees of the Permanent Land Trust Funds, and approval of the State Treasurer's Office Investment Policy.

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$349,237,062
Carrying amount of cash deposits	2,759,518
Total pooled cash and investments	<u>\$351,996,580</u>
Pooled cash and investments – unrestricted	\$263,534,365
Restricted cash and investments	88,462,215
Total pooled cash and investments	<u>\$351,996,580</u>

The City had a net increase in the fair value of investments during fiscal year 2006-07 of \$2,348,245. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2007, the City maintained the following investments and maturities (amounts exclude all investments in mutual funds):

Investment Type	Fair Value	Remaining Maturity in Months		
		12 Months or Less	13 - 24 Months	24 - 36 Months
US government treasuries	\$ 14,833,558	\$ 14,833,558	\$ -	\$ -
US government agencies	164,782,750	51,139,890	47,744,960	65,897,900
Money market	86,590,322	86,590,322	-	-
State investment pool	83,030,432	83,030,432	-	-
	<u>\$ 349,237,062</u>	<u>\$235,594,202</u>	<u>\$ 47,744,960</u>	<u>\$ 65,897,900</u>

Interest rate risk. One of the ways the City limits its exposure to fair value losses arising from rising interest rates is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City limits all securities to a final maturity of no more than three years and assumes that its callable investments will not be called. It is the City's policy to hold investments to maturity.

Credit risk. The City addresses credit risk through the investment policy by restricting the allowable investment instruments. The investments in all of the US Agency obligations and money market funds were rated Aaa by Moody's Investor Service and AAA by Standard & Poor's. The Arizona Local Government Investment Pool is currently not rated.

Concentration of Credit Risk. The City policy places no limit on the amount that the City may invest in any one issuer for the US treasury obligations and the US Agency Obligations. The investment policy does establish a maximum percentage of 10% in banker's acceptances, 20% in commercial paper and 25% in repurchase agreements. The maximum investment in any one issuer for certificates of deposits is 33% and for repurchase agreements is 10%. The City is required to disclose if 5% or more of its investments are in securities of a single issuer. As of June 30, 2007, 43.02% of the City's investments are in Federal Home Loan Bank securities, 14.39% of the City's investments are in Fannie Mae, and 5.32% of the City's investments are in Federal Home Loan Mortgage Corporation Securities.

NOTE 5 - DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS

Due to/from other funds consisted of the following at June 30, 2007:

	Due to	Due from
General fund	\$ -	\$ 17,793,248
Transit special revenue fund	-	32,302,986
Special assessment	190,085	-
Performing arts capital projects fund	2,173,634	-
Transit capital projects fund	48,046,456	-
Non-major governmental	1,859,693	2,173,634
Total governmental funds	<u>\$52,269,868</u>	<u>\$ 52,269,868</u>
	Due to	Due from
Water and wastewater fund	\$ -	\$ 847,882
Cemetery fund	847,882	-
Total proprietary funds	<u>\$ 847,882</u>	<u>\$ 847,882</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 5 - DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS (Continued)

The interfund balances at June 30, 2007 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2007 are expected to be repaid within one year.

Interfund balances between the governmental funds and interfund balances between the proprietary funds have been eliminated in the government-wide statement of net assets.

	Transfers Out								
	General	Transit Special Revenue	General Obligation Debt Service	Performing Arts Capital Projects	Transit Capital Projects	Non-major Governmental	Water and Wastewater	Solid Waste	Internal Service
General	\$ -	\$ 390	\$ -	\$ -	\$ 1,200	\$ 43,170	\$ 2,475	\$130	\$1,100
Transit special revenue	46,928	-	-	-	556,500	257,014	-	-	-
Transit capital projects	-	16,451,257	-	-	-	1,968,931	-	-	-
Non-major governmental	8,533,731	535,022	3,907,023	24	42,000	1,131,039	4,485,853	-	-
Water and wastewater	232,971	-	-	-	-	309,862	-	-	-
Golf	50,642	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	183,073	-	-	-
Total	\$8,864,272	\$16,986,669	\$3,907,023	\$24	\$599,700	\$3,893,089	\$4,488,328	\$130	\$1,100

The interfund transfers generally fall within one of the following categories: 1) pay-as-you-go financing transfers into capital project funds; 2) transfers to cover debt service payments; or 3) transfers to cover operating expenditures in accordance with City policy. There were no significant transfers during fiscal year 2006-07 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

NOTE 6 - CAPITAL IMPROVEMENT NOTES RECEIVABLE

Capital improvement notes receivable represent loans to provide long-term financing for certain major capital improvement projects.

On November 10, 2004 the City entered into an intergovernmental agreement with the Arizona Tourism and Sports Authority ("TSA") for the renovation of the Tempe Diablo Stadium Complex. On September 1, 2005, the City funded the project through the issuance of municipal bonds (see note 9). The TSA agreed to reimburse the City \$12,000,000 for their contribution, plus interest at the bond rate (3.50% to 5.00%) A capital improvement note receivable was recorded in the General Obligation Debt Service Fund for the TSA's portion. Payments are received semiannually and any unpaid interest is capitalized. Due to capitalizing interest, at June 30, 2007 the note receivable balance is \$12,783,437.

At June 30, 2007, capital improvement notes receivable totaled \$1,970,427 in the Water and Wastewater Fund. The notes bear interest at 4.00% (see Note 9). Repayment of the receivable to the Water and Wastewater Fund will be made from the General and Highway User Special Revenue funds.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE

The City currently participates in two joint ventures, the Subregional Operating Group and Valley Metro Rail, Inc.

Subregional Operating Group (SROG)

The City participates with the cities of Phoenix, Mesa, Scottsdale, and Glendale in an intergovernmental agreement for the construction, operation and maintenance of jointly used facilities including the 91st Avenue Wastewater Treatment Plant, the Salt River Project Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities. The City of Phoenix is the management agency who has agreed to be responsible for the planning, designing, constructing, operating and maintaining of the jointly used sewage facilities and to perform the required accounting, administrative and other support functions.

The agreement provides for the formation of a Multicity Subregional Operating Group Committee ("Multicity SROG"), whose members are composed of a representative officially appointed upon motion and order of each city, for the specific purpose of making recommendations concerning specific decisions or courses of action for the jointly used facilities. The Multicity SROG annually reviews and approves the capital improvements and replacements budget and also the operating budget for the jointly used facilities.

As of June 30, 2006 (the latest information available), the City has a 15% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, development fees and grants. The bonds are collateralized by a pledge of water revenues and are recorded in the Water and Wastewater Enterprise Fund. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2006 (the latest information available) is as follows (in thousands):

Total assets	\$ 673,950
Total liabilities	(69,808)
Total net assets	<u>\$ 604,142</u>
Total revenues	\$ 59,095
Total expenses	(60,301)
Total non-operating revenues (expenses)	(964)
Net increase in net assets	<u>\$ (2,170)</u>

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture at June 30, 2007, was \$125,804,532. The City's net loss from joint venture was \$330,049 for the fiscal year ended June 30, 2007. Separately audited financial statements for the jointly used wastewater treatment and transportation facilities may be obtained from the Arizona Municipal Water Users Associations, 4041 North Central, Suite 900, Phoenix, Arizona, 85012.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Valley Metro Rail, Inc. (VMRI)

The City currently participates with the cities of Phoenix, Mesa and Glendale in a joint powers agreement for the design, construction and operation of a light rail transit system. Valley Metro Rail, Inc. (VMRI) is the management agency that was incorporated to administer the joint powers agreement between the cities. In addition, VMRI has oversight responsibility for the planning, designing, construction and operation of a regional mass transit light rail system. The agreement provides voting rights for members of the representative cities related to strategic initiatives including passage of an annual capital program and annual operating budget.

As of June 30, 2006 (the latest information available), the City has a 27.8% equity interest in the joint venture. The project is currently in the planning, design and construction phase. The scheduled completion date for the light rail project is December 2008. Member contributions to the joint venture are offset by a Federal funding agreement from the U.S. Department of Transportation. These contributions are recognized as intergovernmental revenue in the Transit Capital Projects fund.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2006 (the latest information available) is as follows:

Total assets	\$ 630,616,866
Total liabilities	(170,236,566)
Total net assets	<u>\$ 460,380,300</u>
 Total revenues	 \$ 238,090,177
Total expenses	(13,716,617)
Total non-operating revenues	100,888
Net increase in net assets	<u>\$ 224,474,448</u>

The City has an ongoing financial responsibility as a result of the joint powers agreement to participate in the cost to construct and operate the light rail project less any federal reimbursements and operating fares. The equity interests will be determined, and periodically adjusted, based on the number of rail mileage located within each city. The City expended \$98,712,147 in the fiscal year ended June 30, 2007 toward the light rail project. These expenditures were included in the financial statements predominately as capital outlay in the Transit Capital Projects fund. Of this amount, \$92,685,282 was included in equity in joint venture and \$6,026,866 was recorded to land in the government-wide financial statements. The City's equity in joint venture at June 30, 2007 was \$ 214,375,338. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS

In prior years, land associated with the VMRI joint venture was included in the Governmental activities' Equity in Joint Venture balance. It has been determined that all land will be retained by the related City. As a result, \$19 million of land has been restated in the June 30, 2006 Land balance from Equity in Joint Venture. In addition, during fiscal year 2007 the terms of a structured lease payment for a building changed resulting in a \$1.2 million decrease of the value of the asset and the corresponding lease liability (see footnote 9). A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2007 is as follows:

	Balances June 30, 2006 (restated)	Additions	Retirements	Transfers in (out)	Balances June 30, 2007
Governmental activities:					
Non-depreciable assets:					
Land	\$ 58,850,566	\$ 206,992	\$ -	\$ 6,585,965	\$ 65,643,523
Construction-in-progress	90,762,296	96,330,275	(3,593,855)	(51,574,426)	131,924,290
Total non-depreciable assets	149,612,862	96,537,267	(3,593,855)	(44,988,461)	197,567,813
Depreciable assets:					
Buildings	118,845,145	-	(1,965,627)	19,639,054	136,518,572
Infrastructure	608,747,370	204,897	-	12,725,656	621,677,923
Improvements	106,103,526	101,114	(89,161)	6,119,685	112,235,164
Machinery and equipment	113,697,564	3,896,134	(1,386,124)	6,504,066	122,711,640
Total depreciable assets	947,393,605	4,202,145	(3,440,912)	44,988,461	993,143,299
Accumulated depreciation:					
Buildings	(31,887,771)	(3,545,873)	128,833	-	(35,304,811)
Infrastructure	(237,886,391)	(13,685,179)	-	-	(251,571,570)
Improvements	(23,634,979)	(4,156,960)	89,161	-	(27,702,778)
Machinery and equipment	(78,595,540)	(7,131,907)	1,264,921	-	(84,462,526)
Total accumulated depreciation	(372,004,681)	(28,519,919)	1,482,915	-	(399,041,685)
Governmental activities capital assets, net	\$ 725,001,786	\$72,219,493	\$ (5,551,852)	\$ -	\$ 791,669,427

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2006	Additions	Retirements	Transfers in (out)	Balances June 30, 2007
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	13,288,338	41,747,461	-	(1,673,095)	53,362,704
Total non-depreciable assets	19,981,715	41,747,461	-	(1,673,095)	60,056,081
Depreciable assets:					
Buildings	51,286,403	-	-	-	51,286,403
Infrastructure	197,878,956	-	(204,898)	1,673,095	199,347,153
Improvements	141,909,753	81,693	(332,311)	-	141,659,135
Machinery and equipment	42,256,859	1,068,479	(204,087)	-	43,121,251
Total depreciable assets	433,331,971	1,150,172	(741,296)	1,673,095	435,413,942
Accumulated depreciation:					
Buildings	(16,622,099)	(1,138,985)	-	-	(17,761,084)
Infrastructure	(94,483,972)	(5,205,240)	20,854	-	(99,668,358)
Improvements	(50,988,110)	(5,400,348)	250,618	-	(56,137,840)
Machinery and equipment	(34,578,520)	(1,753,363)	189,523	-	(36,142,360)
Total accumulated depreciation	(196,672,701)	(13,497,936)	460,995	-	(209,709,642)
Business-type activities capital assets, net	\$ 256,640,985	\$29,399,697	\$ (280,301)	\$ -	\$285,760,381

Depreciation expense was charged to the governmental functions in the government-wide financial statements as follows:

Police	\$ 1,435,923
Fire	1,501,530
Community services	405,838
Parks and recreation	2,450,385
Public works	17,467,213
Community relations	17,524
City manager	14,083
Diversity program	83
City clerk and elections	1,211
City attorney	659
Municipal courts	47,877
Development services	116,585
Community development	1,041,053
Financial services	196,567
Human resources	2,485
Information technology	944,798
Non-departmental	2,876,105
Total depreciation expense	\$ 28,519,919

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued for proprietary activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In the current year, \$76.5 million was issued to finance improvements for Water and Wastewater, Public Safety Police, Public Safety Fire, and Parks. In addition, general obligation bonds have been issued to refund previously issued general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year.

General obligation bonds outstanding at June 30, 2007, were as follows:

\$17,305,000 1993A Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$80,000 to \$5,035,000 through July 1, 2011; interest at 2.6% to 5.4%	\$ 5,120,000
\$26,300,000 1995 Capital Improvement Serial Bonds due in annual installments of \$800,000 to \$2,130,000 beginning July 1, 1997 through July 1, 2015; interest at 4.50% to 6.50%	1,470,000
\$14,500,000 1997 Capital Improvement Serial Bonds due in annual installments of \$300,000 to \$1,150,000 beginning July 1, 1998 through July 1, 2017; interest at 5.125% to 6.625%	715,000
\$12,755,000 1998 Capital Improvements Refunding Issue Serial Bonds due in annual installments of \$90,000 to \$2,450,000 through July 1, 2010; interest at 4.25% to 4.90%	7,495,000
\$37,500,000 1998A Capital Improvement Serial Bonds due in annual installments of \$1,210,000 to \$2,755,000 beginning July 1, 1999 through July 1, 2018; interest at 4.00% to 5.50%	15,320,000
\$24,000,000 2001A Capital Improvement Serial Bonds due in annual installments of \$650,000 to \$1,630,000 beginning July 1, 2002 through July 1, 2021; interest at 4.50% to 6.00%	12,045,000
\$11,045,000 2002 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$1,145,000 through July 1, 2015; interest at 2.25% to 5.00%	7,575,000
\$22,000,000 2002A Capital Improvement Serial Bonds due in annual installments of \$690,000 to \$1,650,000 through July 1, 2022; interest at 3.5% to 5.0%	18,210,000
\$44,820,000 2003 Capital Improvement Serial Bonds due in annual installments of \$955,000 to \$3,340,000 through July 1, 2023; interest at 3.50% to 5.00%	39,050,000
\$19,900,000 2004 Capital Improvement Serial Bonds due in annual installments of \$560,000 to \$1,485,000 through July 1, 2024; interest at 3.5% to 5.5%	17,890,000
\$18,775,000 2004R Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$2,925,000 through July 1, 2017; interest at 2.00% to 5.00%	16,645,000
\$52,425,000 2005 Capital Improvement Serial Bonds due in annual installments of \$1,740,000 to \$3,860,000 through July 1, 2024; interest at 3.50% to 5.00%	48,710,000
\$74,495,000 2006 Capital Improvement Serial Bonds due in annual installments of \$2,150,000 to \$5,900,000 through July 1, 2025; interest at 3.50% to 5.00%	72,345,000
\$20,690,000 2007 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$20,000 to \$5,860,000 through July 1, 2018; interest at 3.75% to 5.00%	20,690,000
\$76,485,000 2007A Capital Improvement Serial Bonds due in annual installments of \$2,220,000 to \$5,350,000 through July 1, 2026; interest at 3.50% to 4.50%	76,485,000
Total general obligation bonds outstanding (excluding current portion of Enterprise Fund general obligation bonds outstanding)	<u>\$ 359,765,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The following is a summary of total debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 18,535,000	\$ 16,265,935	\$ 34,800,935
2009	19,780,000	14,993,114	34,773,114
2010	20,730,000	14,099,482	34,829,482
2011	21,640,000	13,189,660	34,829,660
2012	21,110,000	12,251,020	33,361,020
2013-2017	105,140,000	46,958,101	152,098,101
2018-2022	100,220,000	23,392,275	123,612,275
2023-2026	52,610,000	4,067,338	56,677,338
	<u>\$ 359,765,000</u>	<u>\$ 145,216,925</u>	<u>\$ 504,981,925</u>

The following is a summary of governmental debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 7,235,000	\$ 5,181,863	\$ 12,416,863
2009	7,450,000	4,808,494	12,258,494
2010	7,910,000	4,470,799	12,380,799
2011	8,205,000	4,129,561	12,334,561
2012	8,020,000	3,780,589	11,800,589
2013-2017	36,995,000	13,656,784	50,651,784
2018-2022	29,185,000	5,962,431	35,147,431
2023-2026	11,500,000	776,863	12,276,863
	<u>\$ 116,500,000</u>	<u>\$ 42,767,384</u>	<u>\$ 159,267,384</u>

The following is a summary of enterprise debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 11,300,000	\$ 11,084,072	\$ 22,384,072
2009	12,330,000	10,184,620	22,514,620
2010	12,820,000	9,628,683	22,448,683
2011	13,435,000	9,060,099	22,495,099
2012	13,090,000	8,470,431	21,560,431
2013-2017	68,145,000	33,301,317	101,446,317
2018-2022	71,035,000	17,429,844	88,464,844
2023-2026	41,110,000	3,290,475	44,400,475
	<u>\$ 243,265,000</u>	<u>\$ 102,449,541</u>	<u>\$ 345,714,541</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Special Assessment Bonds Payable with Governmental Commitment. As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2007, the special assessments receivable of \$15,584,132, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

Special assessment bonds payable with governmental commitment outstanding at June 30, 2007, were as follows:

\$1,665,000 ID 158 Special Assessment Bonds Payable with Governmental Commitment issued May 1, 1985; maturing January 1, 2010; due in annual installments of \$65,000 to \$70,000; interest at 10.125%	\$ 195,000
\$11,440,000 ID 170 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 1992; maturing January 1, 2011; due in annual installments of \$460,000 to \$1,160,000; interest at 6.875%	4,225,000
\$7,070,000 ID 172 Special Assessment Bonds Payable with Governmental Commitment issued August 1, 1997; maturing January 1, 2013; due in annual installments of \$470,000 to \$475,000; interest at 5.10%	2,820,000
\$1,085,000 ID 173 Special Assessment Bonds Payable with Governmental Commitment issued September 1, 1997; maturing January 1, 2008; due in annual installments of \$105,000 to \$110,000; interest at 5.10%	105,000
\$6,175,000 ID 175 Special Assessment Bonds Payable with Governmental Commitment issued May 6, 1999; maturing January 1, 2015; due in annual installments of \$295,000 to \$555,000; interest at 4.70%	3,815,000
\$4,405,000 ID 179 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 2005; maturing January 1, 2021; due in annual installments of \$220,000 to \$385,000; interest at 4.10%	4,185,000
Total special assessment bonds outstanding	<u>\$15,345,000</u>

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 2,225,000	\$ 745,367	\$ 2,970,367
2009	2,215,000	615,312	2,830,312
2010	2,310,000	482,062	2,792,062
2011	2,350,000	345,941	2,695,941
2012	1,220,000	249,111	1,469,111
2013-2017	3,575,000	583,289	4,158,289
2018-2022	1,450,000	121,976	1,571,976
	<u>\$ 15,345,000</u>	<u>\$ 3,143,058</u>	<u>\$ 18,488,058</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Refunding Certificates of Participation. On June 1, 1999, the City issued \$5,110,000 of Refunding Certificates of Participation (COP). The proceeds were used to refund \$4,775,000 of the 1989 Tempe Sports Authority Facilities Bonds (TSAF), and pay costs incurred to issue the certificates. The City has collateralized the obligations by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

\$5,110,000 1999B Refunding Certificates of Participation due in annual installments of \$400,000 to \$625,000 through July 1, 2009; interest at 4.20% to 4.90%

\$ 1,220,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 595,000	\$ 59,185	\$ 654,185
2009	625,000	30,625	655,625
	<u>\$ 1,220,000</u>	<u>\$ 89,810</u>	<u>\$ 1,309,810</u>

Excise Tax Revenue Obligations. On April 1, 2000, the City issued \$17,310,000 of Excise Tax Revenue Obligations. The proceeds were used to finance the improvements to the Papago Water Treatment Plant, the 91st Ave Treatment plant, the purchase of buses, the construction of a parking structure and office space and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

\$17,310,000 2000A Excise Tax Revenue Obligations due in annual installments of \$245,000 to \$2,880,000 through July 1, 2020 (debt service ensuing fiscal year 2011 was refunded); interest at 4.825% to 5.625%

\$ 1,335,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 310,000	\$ 68,020	\$ 378,020
2009	325,000	52,365	377,365
2010	340,000	35,790	375,790
2011	360,000	18,450	378,450
	<u>\$ 1,335,000</u>	<u>\$ 174,625</u>	<u>\$ 1,509,625</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Refunding Obligations. On February 1, 2003, the City issued \$39,275,000 of Excise Tax Revenue Obligations. The proceeds were used to refund \$40,500,000 of the 1998 Variable Rate Demand Excise Tax Revenue Obligations, and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge of the excise taxes.

\$39,275,000 2003 Excise Tax Revenue Refunding Obligations due in annual installments of
\$475,000 to \$2,950,000 through July 1, 2023; interest at 2.00% to 5.25%

\$16,720,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,470,000	\$ 746,763	\$ 2,216,763
2009	1,540,000	673,263	2,213,263
2010	1,610,000	603,387	2,213,387
2011	1,675,000	538,987	2,213,987
2012	1,760,000	455,237	2,215,237
2013-2017	5,715,000	1,204,787	6,919,787
2018-2022	-	682,190	682,190
2023	<u>2,950,000</u>	<u>136,438</u>	<u>3,086,438</u>
	<u>\$16,720,000</u>	<u>\$ 5,041,052</u>	<u>\$ 21,761,052</u>

Excise Tax Revenue Obligations. On June 1, 2004, the City issued \$37,595,000 of Excise Tax Revenue Obligations. The proceeds were used to (i) refund \$14,185,000 of the 2002 Variable Rate Demand Excise Tax Revenue Obligations related to the Tempe Center for the Performing Arts Project (Performing Arts Project), (ii) to fund a portion of the cost of the Performing Arts Project and (iii) to pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of 0.10% performing arts center tax, approved by voters on May 16, 2000, which are restricted to the Tempe Center for the Performing Arts Project. Additionally, the payments to be made by the City are secured by a subordinate lien pledge by the City of all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing, including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

The City covenants and agrees that the Performing Arts Center Excise Taxes and the Excise Taxes which it presently imposes will continue to be imposed in each Fiscal Year so that the sum of (A) the Performing Arts Center Excise Taxes for such Fiscal Year plus (B) the excess of the Excise Taxes for such Fiscal Year over the Debt Service requirements on the Outstanding Senior Excise Tax Obligations for such Fiscal Year, shall be equal to at least three times the total of the Debt Service with respect to Parity Obligations in such Fiscal Year. The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations.

The City further covenants and agrees that so long as any Special Parity Obligations are outstanding, the Performing Arts Center Excise Taxes, the Excise Taxes and the Special Excise Taxes will be imposed in each Fiscal Year so that the sum of (A) Performing Arts Center Excise Taxes for such Fiscal Year, plus (B) Special Excise Taxes for such Fiscal Year plus (C) the excess of the Excise Taxes for such Fiscal Year over the Debt Service on the Outstanding Senior Excise Tax Obligations for such Fiscal Year shall be equal to at least three times the total of the Debt Service with respect to the Parity Obligations and the Special Parity Obligations in such Fiscal Year. The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations and Special Parity Obligations, the City will either impose new Excise Taxes or Special Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

\$37,595,000 2004 Excise Tax Revenue Obligations due in annual installments of
\$1,500,000 to \$3,350,000 through July 1, 2020; interest at 2.25% to 5.25%

\$ 32,620,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,835,000	\$ 1,684,838	\$ 3,519,838
2009	1,910,000	1,611,438	3,521,438
2010	2,000,000	1,515,938	3,515,938
2011	2,115,000	1,410,938	3,525,938
2012	2,225,000	1,299,900	3,524,900
2013-2017	12,985,000	4,621,576	17,606,576
2018-2020	9,550,000	1,020,078	10,570,078
	<u>\$ 32,620,000</u>	<u>\$ 13,164,706</u>	<u>\$ 45,784,706</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations. On September 1, 2005, the City issued \$21,315,000 of Excise Tax Revenue Obligations. The proceeds were used to finance the construction and renovation of various projects for Tempe Diablo Stadium, various cemetery improvements and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations.

\$21,315,000 2005 Excise Tax Revenue Obligations due in annual installments of \$345,000 to \$2,135,000 through July 1, 2025; interest at 3.50% to 5.00%

\$ 20,565,000

The following is a summary of total debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 355,000	\$ 977,550	\$ 1,332,550
2009	370,000	965,126	1,335,126
2010	385,000	952,176	1,337,176
2011	395,000	938,700	1,333,700
2012	410,000	924,876	1,334,876
2013-2017	4,170,000	4,316,100	8,486,100
2018-2022	8,375,000	2,823,250	11,198,250
2023-2025	6,105,000	620,500	6,725,500
	<u>\$ 20,565,000</u>	<u>\$ 12,518,278</u>	<u>\$ 33,083,278</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

The following is a summary of governmental debt service cash requirements to maturity:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 275,000	\$ 880,613	\$ 1,155,613
2009	285,000	870,988	1,155,988
2010	295,000	861,012	1,156,012
2011	305,000	850,688	1,155,688
2012	315,000	840,013	1,155,013
2013-2017	3,635,000	3,955,000	7,590,000
2018-2022	7,710,000	2,597,750	10,307,750
2023-2025	<u>5,615,000</u>	<u>570,750</u>	<u>6,185,750</u>
	<u>\$ 18,435,000</u>	<u>\$11,426,814</u>	<u>\$ 29,861,814</u>

The following is a summary of enterprise debt service cash requirements to maturity:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 80,000	\$ 96,937	\$ 176,937
2009	85,000	94,138	179,138
2010	90,000	91,163	181,163
2011	90,000	88,013	178,013
2012	95,000	84,863	179,863
2013-2017	535,000	361,100	896,100
2018-2022	665,000	225,500	890,500
2023-2025	<u>490,000</u>	<u>49,750</u>	<u>539,750</u>
	<u>\$ 2,130,000</u>	<u>\$ 1,091,464</u>	<u>\$ 3,221,464</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations. On May 1, 2006 the City issued \$22,265,000 of Excise Tax Revenue Obligations. The proceeds were used to fund a portion of the cost of the Tempe Center for the Arts Project and to pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of 0.10% performing arts center tax, approved by voters on May 16, 2000, which are restricted to the Tempe Center for the Performing Arts Project. Additionally, the payments to be made by the City are secured by a subordinate lien pledge by the City of all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing, including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that the Performing Arts Center Excise Taxes and the Excise Taxes which it presently imposes will continue to be imposed in each Fiscal Year so that the sum of (A) the Performing Arts Center Excise Taxes for such Fiscal Year plus (B) the excess of the Excise Taxes for such Fiscal Year over the Debt Service requirements on the Outstanding Senior Excise Tax Obligations for such Fiscal Year, shall be equal to at least three times the total of the Debt Service with respect to Parity Obligations in such Fiscal Year. The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations.

The City further covenants and agrees that so long as any Special Parity Obligations are outstanding, the Performing Arts Center Excise Taxes, the Excise Taxes and the Special Excise Taxes will be imposed in each Fiscal Year so that the sum of (A) Performing Arts Center Excise Taxes for such Fiscal Year, plus (B) Special Excise Taxes for such Fiscal Year plus (C) the excess of the Excise Taxes for such Fiscal Year over the Debt Service on the Outstanding Senior Excise Tax Obligations for such Fiscal Year shall be equal to at least three times the total of the Debt Service with respect to the Parity Obligations and the Special Parity Obligations in such Fiscal Year.

The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations and Special Parity Obligations, the City will either impose new Excise Taxes or Special Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

\$22,265,000 2006 Excise Tax Revenue Obligations due in annual installments of \$1,650,000 to \$2,385,000 through July 1, 2016; interest at 4.00% to 4.50%

\$ 18,275,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,720,000	\$ 770,088	\$ 2,490,088
2009	1,790,000	701,288	2,491,288
2010	1,860,000	629,688	2,489,688
2011	1,935,000	555,288	2,490,288
2012	2,015,000	477,888	2,492,888
2013-2016	8,955,000	1,012,502	9,967,502
	<u>\$ 18,275,000</u>	<u>\$ 4,146,742</u>	<u>\$ 22,421,742</u>

Variable Rate Demand Excise Tax Revenue Obligations. On June 21, 2006, the City entered into a purchase agreement with Royal Bank of Canada, acting by and through its New York branch, to pay costs associated with a portion of the City's light rail project. These costs were financed through the issuance of \$60,675,000 of variable rate demand excise tax revenue obligations (Obligations). The Obligations are remarketed by RBC Dain Rauscher, Inc., serving as the remarketing agent, at an interest rate which would cause the Obligations to have a market value on the commencement date of such rate period equal to the principal amount thereof plus accrued and unpaid interest, if any, not to exceed 12%.

The interest rate on these Obligations is reset on a weekly basis and interest will be paid monthly. The City has the option of converting from the weekly rate to either a daily rate or term rates, including a term rate period through the final maturity of the Obligations. In the event that the Obligations are converted to a term rate (other than daily or weekly), the Obligations are subject to mandatory tender for purchase.

The City has entered into a standby obligation purchase agreement with Royal Bank of Canada. The stated expiration date of the standby obligation purchase agreement is June 21, 2009, with extension request options available to the City thereafter. Royal Bank of Canada is providing liquidity and is obligated to purchase the Obligations that are tendered for purchase and not remarketed. The quarterly fee paid to Royal Bank of Canada for this liquidity support is an annualized rate of 0.10% of the average daily amount of available commitment for principal and interest. As of June 30, 2007, there were no draws outstanding or bonds presented for debt service payments under this standby obligation.

If the standby obligation purchase agreement was to be exercised and all outstanding obligations were purchased by Royal Bank of Canada because they could not be remarketed, the maximum repayment liability would be the outstanding principal balance plus interest calculated at the greater of the Federal Funds Rate plus 2.5% or the Prime Rate plus 2.0%.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Variable Rate Demand Excise Tax Revenue Obligations (Continued)

The City has collateralized the bonds by a pledge of excise taxes collected and paid to the City under a 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which is restricted to public transit use. The City covenants and agrees that the excise taxes, which it presently imposes, will continue to be imposed so that the amount of excise taxes shall be equal to at least two times the total obligation debt service requirements for all outstanding parity obligations in each fiscal year.

\$60,675,000 2006 Variable Rate Excise Tax Revenue Obligations due in annual installments of \$890,000 to \$3,385,000 through July 1, 2036.

\$ 59,785,000

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2007 was 3.66%. The following is a summary of debt service cash requirements to maturity assuming the interest rate at June 30, 2007 of 3.77%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,130,000	\$ 2,253,895	\$ 3,383,895
2009	1,175,000	2,211,294	3,386,294
2010	1,220,000	2,166,996	3,386,996
2011	1,270,000	2,121,002	3,391,002
2012	1,320,000	2,073,123	3,393,123
2013-2017	7,440,000	9,577,497	17,017,497
2018-2022	9,045,000	8,059,317	17,104,317
2023-2027	11,010,000	6,212,017	17,222,017
2028-2032	13,395,000	3,963,590	17,358,590
2033-2036	12,780,000	1,228,077	14,008,077
	<u>\$ 59,785,000</u>	<u>\$ 39,866,808</u>	<u>\$ 99,651,808</u>

Excise Tax Revenue Refunding Obligations. On January 1, 2007, the City issued \$21,310,000 of Excise Tax Revenue Obligations. The proceeds were used to refund \$4,205,000 of the 2000A Excise Tax Revenue Obligations, \$17,025,000 of the 2003 Excise Tax Revenue Refunding Obligations, and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, State-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Refunding Obligations (Continued)

\$21,310,000 2007 Excise Tax Revenue Refunding Obligations due in annual installments of \$25,000 to \$3,100,000 through July 1, 2022; interest at 4.00% to 5.00%

\$21,310,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 25,000	\$ 1,020,350	\$ 1,045,350
2009	25,000	1,019,350	1,044,350
2010	25,000	1,018,350	1,043,350
2011	25,000	1,017,350	1,042,350
2012	400,000	1,016,350	1,416,350
2013-2017	6,535,000	4,718,450	11,253,450
2018-2022	14,275,000	1,999,225	16,274,225
	<u>\$21,310,000</u>	<u>\$ 11,809,425</u>	<u>\$ 33,119,425</u>

Variable Rate Demand Excise Tax Revenue Obligations. On June 7, 2007, the City entered into a purchase agreement with Royal Bank of Canada, acting by and through its New York branch, to pay costs associated with a portion of the City's light rail project. These costs were financed through the issuance of \$50,000,000 of variable rate demand excise tax revenue obligations (Obligations). The Obligations are remarketed by RBC Dain Rauscher, Inc., serving as the remarketing agent, at an interest rate which would cause the Obligations to have a market value on the commencement date of such rate period equal to the principal amount thereof plus accrued and unpaid interest, if any, not to exceed 12%.

The interest rate on these Obligations is reset on a weekly basis and interest will be paid monthly. The City has the option of converting from the weekly rate to either a daily rate or term rates, including a term rate period through the final maturity of the Obligations. In the event that the Obligations are converted to a term rate (other than daily or weekly), the Obligations are subject to mandatory tender for purchase.

The City has entered into a standby obligation purchase agreement with Royal Bank of Canada. The stated expiration date of the standby obligation purchase agreement is June 7, 2010, with extension request options available to the City thereafter. Royal Bank of Canada is providing liquidity and is obligated to purchase the Obligations that are tendered for purchase and not remarketed. The quarterly fee paid to Royal Bank of Canada for this liquidity support is an annualized rate of 0.10% of the average daily amount of available commitment for principal and interest. As of June 30, 2007, there were no draws outstanding or bonds presented for debt service payments under this standby obligation.

If the standby obligation purchase agreement was to be exercised and all outstanding obligations were purchased by Royal Bank of Canada because they could not be remarketed, the maximum repayment liability would be the outstanding principal balance plus interest calculated at the greater of the Federal Funds Rate plus 2.5% or the Prime Rate plus 2.0%.

The City has collateralized the bonds by a pledge of excise taxes collected and paid to the City under a 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which is restricted to public transit use. The City covenants and agrees that the excise taxes, which it presently imposes, will continue to be imposed so that the amount of excise taxes shall be equal to at least two times the total obligation debt service requirements for all outstanding parity obligations in each fiscal year.

\$50,000,000 2007 Variable Rate Excise Tax Revenue Obligations due in annual installments of \$760,000 to \$2,790,000 through July 1, 2037.

\$ 50,000,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Variable Rate Demand Excise Tax Revenue Obligations (Continued)

The following is a summary of debt service cash requirements to maturity assuming the interest rate at June 30, 2007 of 3.77%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 760,000	\$ 1,885,000	\$ 2,645,000
2009	930,000	1,856,348	2,786,348
2010	965,000	1,821,287	2,786,287
2011	1,005,000	1,784,907	2,789,907
2012	1,045,000	1,747,018	2,792,018
2013-2017	5,885,000	8,111,909	13,996,909
2018-2022	7,170,000	6,909,468	14,079,468
2023-2027	8,720,000	5,445,577	14,165,577
2028-2032	10,610,000	3,664,817	14,274,817
2033-2037	12,910,000	1,498,197	14,408,197
	<u>\$ 50,000,000</u>	<u>\$ 34,724,528</u>	<u>\$ 84,724,528</u>

Section 108 Guaranteed Loan. In July 2004, the City entered into a Section 108 guaranteed loan agreement with the U.S. Department of Housing and Urban Development (HUD) for funding of \$7,000,000 for on-site environmental remediation of the University/Hayden Butte Redevelopment Area 5 (Rio Salado Marketplace Redevelopment). The note requires interest only payments until August 2007. At that time the note will be due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 5.37% to 6.01%. The City has pledged its Community Development Block Grants as security for HUD's guaranteed loan. The City was awarded a \$1,000,000 HUD Brownfield Economic Development Initiative grant to be used to pay interest on the HUD Section 108 loan until such time the development generates sufficient tax revenue to cover the debt service of the development.

\$7,000,000 HUD Section 108 Guaranteed Loan due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 5.37% to 6.01%

\$ 7,000,000

The following discloses debt service requirements as of June 30, 2007 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 261,000	\$ 370,936	\$ 631,936
2009	273,000	360,752	633,752
2010	285,000	349,136	634,136
2011	298,000	336,170	634,170
2012	311,000	321,912	632,912
2013-2017	1,778,000	1,352,835	3,130,835
2018-2022	2,214,000	803,743	3,017,743
2023-2025	1,580,000	144,597	1,724,597
	<u>\$ 7,000,000</u>	<u>\$4,040,081</u>	<u>\$11,040,081</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Capital Improvement Notes. Capital improvement notes represent borrowings to provide long-term financing for certain major capital improvement program projects (see Note 6).

Capital improvement notes outstanding at June 30, 2007 were as follows:

\$11,440,000 capital improvement notes issued in 1990 due to the Water and Wastewater Enterprise Fund from the General Fund and Highway Users Special Revenue Fund and payable in equal annual installments through January 1, 2011; interest at 4.00% \$ 1,970,427

The following discloses debt service requirements as of June 30, 2007 segregating principal and interest, to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 464,016	\$ 78,817	\$ 542,833
2009	482,576	60,257	542,833
2010	501,880	40,953	542,833
2011	521,955	20,878	542,833
	<u>\$ 1,970,427</u>	<u>\$ 200,905</u>	<u>\$ 2,171,332</u>

Capital Leases. The City has entered into capital lease agreements for building and equipment. These lease agreements generally require annual payments and the lease term varies from 3 years to 20 years. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the date of inception.

The assets acquired through capital leases are as follows:

	Amount
Building	\$ 6,434,335
Equipment, net	1,483,447
Total	<u>\$ 7,917,782</u>

The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments as of June 30, 2007. These amounts will be paid for by the General fund.

	Fiscal Year Ending June 30,	Total
	2008	\$ 763,131
	2009	718,434
	2010	659,304
	2011	657,027
	2012	653,500
	2013-2017	3,187,500
	2018	1,275,000
Total minimum lease payments		7,913,896
Less: interest at 6.10 % to 8.50%		<u>(2,990,132)</u>
Present value of future minimum lease payments		<u>\$ 4,923,764</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Statutory Debt Limitation. In the absence of more restrictive bond authorization ballot limitations, the City is subject to state statutory limitations on the amount of net bonded debt (exclusive of revenue and special assessment bonds and purchase contracts) it may have outstanding. The statutory debt limitation is 20 percent of the secondary assessed valuation for purposes of water, wastewater, open space preserves, artificial lighting, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities and 6 percent of the secondary assessed valuation for all other purposes.

At June 30, 2007, the 20 percent debt limitation was \$480,379,693 with \$373,560,000 of outstanding debt. This provided a 20 percent debt margin of \$106,819,693. The 6 percent debt limitation was \$144,113,908 with \$1,470,000 of outstanding debt. This provided a 6 percent debt margin of \$142,643,908. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2007, was \$249,463,601.

Bond Covenants. The various bond indentures contain certain limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages.

Arbitrage. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2007. However, the City has designated \$500,000 in the General Fund for this purpose.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$ 117,610,000	\$ 15,985,000	\$ (17,095,000)	\$ 116,500,000	\$ 7,235,000
Special assessments	17,490,000	-	(2,145,000)	15,345,000	2,225,000
1999 Excise tax refunding certificates of participation	1,780,000	-	(560,000)	1,220,000	595,000
2000A Excise tax obligations	5,835,000	-	(4,500,000)	1,335,000	310,000
2003 Excise tax refunding obligations	35,175,000	-	(18,455,000)	16,720,000	1,470,000
2004 Excise tax obligations	34,400,000	-	(1,780,000)	32,620,000	1,835,000
2005 Excise tax obligations	18,700,000	-	(265,000)	18,435,000	275,000
2006 Excise tax obligations	19,925,000	-	(1,650,000)	18,275,000	1,720,000
2006 Variable rate demand excise tax obligations	60,675,000	-	(890,000)	59,785,000	1,130,000
2007 Excise tax refunding obligations	-	21,310,000	-	21,310,000	25,000
2007 Variable rate demand excise tax obligations	-	50,000,000	-	50,000,000	760,000
2004 HUD Section 108 loan	7,000,000	-	-	7,000,000	261,000
Capital improvement notes payable	2,416,596	-	(446,169)	1,970,427	464,016
Total debt payable	321,006,596	87,295,000	(47,786,169)	360,515,427	18,305,016
Capital leases	6,732,171	108,464	(1,916,871)	4,923,764	763,131
Compensated absences	13,785,182	10,916,279	(9,328,703)	15,372,758	9,899,846
Claims and judgments	5,174,487	13,465,310	(13,415,325)	5,224,472	2,135,214
Governmental activities long-term	<u>\$ 346,698,436</u>	<u>\$111,785,053</u>	<u>\$ (72,447,068)</u>	<u>\$ 386,036,421</u>	<u>\$31,103,207</u>
Business-type activities:					
General obligation bonds payable	\$ 180,935,000	\$ 81,190,000	\$ (18,860,000)	\$ 243,265,000	\$11,300,000
1992 Excise tax TMPC obligations	140,000	-	(140,000)	-	-
2005 Excise tax obligations	2,210,000	-	(80,000)	2,130,000	80,000
2005 Excise tax obligation premium amortization	120,004	-	(6,316)	113,688	6,316
Total debt payable	<u>\$ 183,405,004</u>	<u>\$ 81,190,000</u>	<u>\$ (19,086,316)</u>	<u>\$ 245,508,688</u>	<u>\$11,386,316</u>

The long-term liabilities at June 30, 2007 have been reduced by deposits made with the City's fiscal agent for July 1, 2007 maturities.

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the General Fund.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 10 - BONDS TO BE PAID FROM ASSETS HELD IN TRUST

Advance Bond Refundings

Future debt service on refunded bonds has been provided through advance refunding bond issues. Under an advance refunding arrangement, refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued or guaranteed by the United States government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

On January 1, 2007, the City issued \$20,690,000 of general obligation refunding bonds with a premium of \$718,251 to partially refund \$3,680,000 of Series 1995; \$750,000 of Series 1997; \$8,890,000 of Series 1998A; and \$7,370,000 of Series 2001A outstanding general obligation bonds. The bonds were issued with an average interest rate of 4.30%. The net proceeds of \$21,162,165, after payment of \$246,085 issuance costs and accrued interest of \$19,313, were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's General Obligation Debt Service and Water/Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$700,471, which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$591,533.

On January 1, 2007, the City issued \$21,310,000 of excise tax revenue refunding obligation bonds with a premium of \$1,387,396 to partially refund \$4,205,000 of Series 2000A; and \$17,025,000 of Series 2003 outstanding excise tax revenue obligation bonds. The bonds were issued with an average interest rate of 4.80%. The net proceeds of \$22,436,893, after allocation of \$260,503 of issuance costs and accrued interest of \$22,674, were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's General Obligation Debt Service and Community Facilities District funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$946,355, which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$701,966.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2007, are as follows:

\$37,500,000 general obligation bonds issued in 1998 and partially refunded in 2007	\$ 8,890,000
\$24,000,000 general obligation bonds issued in 2001 and partially refunded in 2007	7,370,000
\$17,310,000 excise tax revenue obligation bonds issued in 2000 and partially refunded in 2007	4,205,000
\$39,275,000 excise tax revenue obligation bonds issued in 2003 and partially refunded in 2007	17,025,000
Total bonds advance refunded	<u>\$37,490,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 11 - COMMITMENTS

In the Governmental fund financial statements, construction commitments are disclosed as reserves for encumbrances.

At June 30, 2007 the City's construction commitments are as follows:

	Construction in Progress	Commitment
Governmental funds:		
Performing arts	\$ 64,693,646	\$ 1,670,272
Transit	55,126,267	32,985,109
Streets	115,782	1,272,542
Police	1,619,113	437,901
Fire	24,063	84,563
Storm sewers	-	477,102
Parks and recreation	153,322	368,041
Rio Salado	9,963,534	545,474
Community development	228,563	261,591
Bikeways	-	4,907
Signals	-	3,163
	<u>\$131,924,290</u>	<u>\$ 38,110,665</u>
	Construction in Progress	Commitment
Proprietary funds:		
Water/wastewater	\$ 51,976,789	\$ 20,959,207
Golf	46,952	-
Cemetery	1,338,963	936,339
	<u>\$ 53,362,704</u>	<u>\$ 21,895,546</u>

NOTE 12 - OPERATING LEASES

The City leases copiers under certain noncancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Assets. Current year lease costs for the fiscal year ended June 30, 2007 was \$236,291.

The following is a schedule by year of future minimum lease payments:

Fiscal Year Ending June 30,	Amount
2008	\$ 207,794
2009	194,238
2010	185,212
2011	80,272
2012	2,012
Total minimum payments required	<u>\$ 669,528</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS

The City contributes to four separate defined benefit pension plans for the benefit of all full-time employees and elected officials. The Arizona Public Safety Personnel Retirement System administers separate agent multiple-employer retirement plans for all full-time police and fire personnel. The Arizona Public Safety Personnel Retirement System also acts as fund administrator for the Elected Officials Retirement Plan, a multiple-employer cost-sharing plan for elected officials of the City. The Arizona State Retirement System administers a multiple-employer cost-sharing plan for all other full-time employees. The City has met all required payment dates for these plans.

Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees)

A. Plan Description

The City contributes to the Arizona Public Safety Personnel Retirement System ("PSPRS"), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various fire and police agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 Local Boards and was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes (A.R.S.). The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Arizona Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 1-602-255-5575.

B. Funding Policy

PSPRS members are required to contribute 7.65% for fire (2% of which was paid for by the City based on a labor agreement) and 7.65% for police of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for fiscal year 2006-07 was 14.22% for fire personnel and 14.13% for police members. Benefit and contribution provisions are established by law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

C. Annual Pension Cost

Police personnel contributed \$1,708,035 and fire personnel \$861,081 during fiscal year 2006-07. For 2007, the City's annual pension cost of \$3,154,841 for police and \$1,600,598 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation determining contribution requirements for fiscal year 2006-07, using the projected unit credit method. The actuarial assumptions included (a) 8.50% investment rate of return (b) projected salary increases of 5.50% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 5.50% to 8.50% per year, attributable to seniority/merit. The actuarial value of the PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2006 was 30 years.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS (Continued)

Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees) (Continued)

D. Three Year Trend Information (latest available information):

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2004	\$ 1,882,440	100%	-
2005	2,211,359	100	-
2006	2,893,578	100	-

Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2004	\$ 706,065	100%	-
2005	953,985	100	-
2006	527,484	100	-

E. Schedule of Funding Progress (latest information available):

Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2004	\$ 83,552,612	\$ 100,614,938	83.0%	\$ 17,062,326	\$ 19,273,574	88.5
2005	85,021,886	110,974,549	76.6	25,952,663	19,644,420	132.1
2006	87,050,680	122,297,808	71.2	35,247,128	20,537,953	171.6

Fire

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2004	\$ 68,343,366	\$ 68,995,788	99.1%	\$ 652,422	\$ 8,290,624	7.9
2005	69,263,990	76,888,991	90.1	7,625,001	8,577,147	88.9
2006	68,637,326	83,445,495	82.3	14,808,169	9,829,033	150.7

Arizona State Retirement System (All Other Full-time Employees)

A. Plan Description

The City has elected to participate in the Arizona State Retirement System (ASRS or The System), a multiple-employer cost-sharing retirement plan, which provides retirement benefits for all full-time employees, except police and fire employees. The plan provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Arizona State Retirement System, 3300 North Central Avenue, Suite 1300, Phoenix, AZ, 85012 or by calling 602-240-2000.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS (Continued)

Arizona State Retirement System (All Other Full-time Employees) (Continued)

B. Funding Policy

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change the contribution rate from that actuarially determined.

Covered employees contributed 8.60% of their annual compensation to the plan, as actuarially determined and set by State statute and the City contributed an amount equal to employee contributions each pay period. The City's contributions to the ASRS for the years ended June 30, 2007, 2006, and 2005 were \$6,250,065, \$4,938,788 and \$3,653,699 respectively, equal to the annual required contributions for each year.

Elected Officials Retirement Plan (Mayor and City Council)

A. Plan Description

The City's Mayor and Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing pension plan. The Fund Manager of the Arizona Public Safety Personnel Retirement System ("PSPRS") is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. The authority to amend Title 38, Chapter 5, Article 3 is reserved for the State Legislature. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, Arizona, 85016 or by calling 602-255-5575.

B. Funding Policy

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7% of their annual covered salary. The employer rate for 2006-07 was 18.55%. The City's contributions to EORP for the fiscal years ended June 30, 2007, 2006 and 2005 were \$36,829, \$39,937 and \$24,641 respectively, equal to the annual required contributions for each year. The City's employees contributed \$13,898, \$13,611 and \$12,786 for the same time period.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 13, the City offers the continuation of group health insurance benefits, in accordance with Resolution 90.63 of the City Council, to all retired employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Currently, 626 retirees meet those eligibility requirements.

The City offers three health plans to its retirees; Tempe Basic and Tempe Preferred Provider Organization (PPO), which are the City's self-insurance plans, and the CIGNA Health Maintenance Organization (HMO) plan. The benefits provided by the group health insurance plans are the same as those offered to active employees.

The City and the pension administrators subsidize the health insurance premium of eligible retirees depending on type of health plan chosen, coverage selected, and years of service. Approximately 61% of retiree premiums were subsidized by the City during the fiscal year. The City's accounting policy with regard to expenditure recognition of these health insurance benefits is to record the benefits when they are paid. During the fiscal year, expenditures of \$4,621,337 were recognized for post retirement health care.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 15 - DEFERRED COMPENSATION PLANS

The City offers its employees two compensation plans created in accordance with Internal Revenue Code, Section 457 and 401(K). The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City's fiduciary responsibility is that of exercising "due care" in selecting a third-party administrator.

Federal legislation requires that Section 457 plan assets be held in trust for employees. As a result, the employee assets held in Section 457 plans are no longer the property of the City and subject to claims of the City's general creditors. Therefore, the Deferred Compensation Agency assets are not included in the City's basic financial statements.

NOTE 16 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS

Reservations of Fund Balances

At June 30, 2007, amounts were reserved on the fund financial statements for the following purposes: encumbrances - represent purchase obligations outstanding at the end of the fiscal year; inventories - the value of materials and supplies needed to maintain adequate levels of operating supplies; prepaids - for the payment of leased building; notes receivable - represents amounts to be received that are not currently available; debt service - for payment of future amounts of principal and interest due.

Designations of Fund Balances

At June 30, 2007, amounts were designated for the following purposes: self-insurance - amount designated for payment of material, unanticipated claims against the City; rainy day - amounts designated for unforeseen events; Capital Projects - amounts designated for future capital projects; Rio Salado - amount designated for future operation and maintenance costs related to the Rio Salado Town Lake project; compensated absences - amount designated for future payment of compensated absences; arbitrage rebate - amount designated for future arbitrage rebate; retiree healthcare (OPEB) - amount designated for future payment of retiree healthcare; Rio Salado capital improvements fund- amount designated for dam replacements.

	Amount
General fund:	
Self-insurance purposes	\$ 8,841,391
Rainy day	8,000,000
Capital projects	15,716,789
Rio Salado	3,534,076
Compensated absences	7,026,071
Arbitrage rebate	500,000
Retiree healthcare (OPEB)	10,000,000
Total General Fund	53,618,327
Rio Salado capital improvements fund	475,669
Total governmental funds	\$ 54,093,996

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES

The City is exposed to risks arising from general liability, automobile liability (physical damage and bodily injury), property liability, workers compensation, and employee health claims.

The City has established a Risk Management Fund (internal service fund) to account for and finance its uninsured risks of loss. Amounts are paid into the internal service fund by all other funds and are available to pay claims and to fund claim reserves. As with any risk retention program, the City is contingently liable in respect to claims beyond those actuarially projected. These interfund premiums are used to reduce the amount of claim expenditures reported in the internal service fund.

The City is a self insured entity with excess commercial coverage purchased for general liability, automobile liability, property, workers' compensation and group health coverage. The coverage is as follows: for general liability the first \$2.0 million is self insured and excess coverage of \$40.0 million is provided; for automobile liability the deductible is \$25,000 for comprehensive and collision with a policy limit of \$5.0 million; for property the self-insurance retention is the first \$100,000 of all perils with a policy limit of \$150.0 million; for workers' compensation and employers' liability the first \$500,000 of each claim is self insured, with excess coverage of \$2.0 million in employers' liability and the Arizona statutory workers' compensation coverage; and for group health the self-insurance retention is \$200,000 per occurrence, with an aggregate stop loss deductible of \$21.5 million. During the year there were no significant reductions in the amounts of excess coverage purchased.

At fiscal year end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2007, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience.

The following is a summary of changes in insurance claims liabilities, accounted for in the governmental and proprietary funds, for the last two fiscal years:

	June 30, 2006	Claims Incurred Net of Change in Estimates	Payments	June 30, 2007
General liability	\$ 13,322,788	\$ 2,328,738	\$(11,078,116)	\$ 4,573,410
Automobile liability	2,794,473	372,148	(942,856)	2,223,765
Property liability	92,224	191,805	(222,642)	61,387
Workers' compensation	1,811,428	1,575,371	(1,171,552)	2,215,247
Health insurance	1,316,128	14,739,924	(14,648,570)	1,407,482
	<u>\$ 19,337,041</u>	<u>\$19,207,986</u>	<u>\$(28,063,736)</u>	<u>\$ 10,481,291</u>

	June 30, 2005	Claims Incurred Net of Change in Estimates	Payments	June 30, 2006
General liability	\$ 3,052,134	\$11,041,683	\$ (771,029)	\$ 13,322,788
Automobile liability	16,250	3,009,396	(231,173)	2,794,473
Property liability	11,999	228,298	(148,073)	92,224
Workers' compensation	1,424,312	1,688,355	(1,301,239)	1,811,428
Health insurance	1,093,953	13,952,419	(13,730,244)	1,316,128
	<u>\$ 5,598,648</u>	<u>\$29,920,151</u>	<u>\$(16,181,758)</u>	<u>\$ 19,337,041</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES (Continued)

At June 30, 2007, the internal service fund accrued expenses totaled \$9,083,524. This balance includes the general liability, automobile liability, property liability and worker's compensation liability of \$9,073,809 and other accrued expenses of \$9,715. The health insurance claims liability at June 30, 2007 of \$1,407,482 are deemed due and payable at June 30, 2007 and recorded as accrued expenditures/expense in the governmental and proprietary funds, respectively. Additionally, at June 30, 2007, the City had \$8,841,391 of General Fund fund balance designated for self-insurance purposes.

NOTE 18 - CONTINGENT LIABILITIES

The City is subject to a number of lawsuits, investigations, and other claims that are incidental to the ordinary course of its operations. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a materially adverse effect on the City's financial position.

The City participates in federally-funded and state-funded programs administered by various government agencies. The programs included in these financial statements may be subject to program compliance and/or financial monitoring by the granting agency or its representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

NOTE 19 - RELATED ORGANIZATION

The Industrial Development Authority (IDA) is a non-profit corporation established by the City in 1981 to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate and remain in Tempe. The Board of Directors of the IDA is appointed by the City Council; however, the City does not have a financial benefit/burden relationship nor is the City able to impose its will on the IDA as defined in GASB Statement No. 14; therefore, data for the IDA is not included in the City's basic financial statements. Separately issued financial statements are not available for the IDA.

NOTE 20 - DEFICIT IN FUND BALANCE

The Special Assessment Fund had a deficit fund balance of \$66,826 at June 30, 2007. The deficit will be funded by future operating revenues of the fund. The Bikeways Capital Projects Fund had a deficit fund balance of \$248,757 at June 30, 2007. The deficit will be covered by grants to be received in fiscal year 2007-08.





Combining Fund Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues used to finance certain projects or activities as required by law or contractual agreement.

- **Performing Arts Fund.** To account for the receipt and expenditure of the Performing Arts Tax monies. These monies are restricted to financing the performing and visual arts center.
- **Highway User Revenue Fund.** To account for the receipt and expenditure of the City's share of the highway user taxes. State law restricts the use of these monies to maintenance, construction and reconstruction of streets, and repayment of transportation-related general obligation debt.
- **Local Transportation Assistance Fund.** To account for the receipt and expenditure of the City's share of state lottery allocations. These monies are restricted to transportation programs only.
- **Community Development Fund.** To account for the receipt and expenditure of U.S. Department of Housing and Urban Development Community Development Block Grant and Home Program monies.
- **Housing Assistance Fund.** To account for the receipt and expenditure of U.S. Department of Housing and Urban Development Lower Income Housing Assistance Program grant monies.
- **Rio Salado.** To account for the receipt and expenditure of miscellaneous monies used to foster the development of Rio Salado.
- **Grants and Court Awards.** To account for the receipt and expenditure of miscellaneous grant monies and revenue received from court awarded confiscated property under both the Federal and State Organized Crime Acts.
- **Community Facilities District.** To account for the receipt and expenditure of monies for the Rio Salado Community Facilities District.

NON-MAJOR GOVERNMENTAL FUNDS (continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for all current financial resources used for the acquisition of capital facilities except those financed by Enterprise Funds. Disbursements from these funds are primarily for property acquisition and the construction of permanent public improvements. The major sources of financing are derived from bond proceeds and special revenues.

- **Streets Fund.** Used for improving, constructing and reconstructing major streets, highways, collector and local streets within the City, and to acquire rights-of-way.
- **Police Fund.** Used for purchasing, constructing and equipping public safety buildings.
- **Fire Fund.** Used for purchasing, constructing and equipping fire stations.
- **Storm Sewers Fund.** Used for planning, constructing, extending and improving storm drain trunk lines and detention basins.
- **Parks Fund.** Used for acquiring, developing and equipping parks, playgrounds and recreation facilities
- **Rio Salado Fund.** Used for consulting and engineering studies necessary for the design of the Rio Salado projects and for constructing a wildlife habitat.
- **Community Development Fund.** Used for acquiring, reconstructing, remodeling, renovating and equipping existing buildings that house municipal departments, and for acquiring and constructing housing for the elderly and the redevelopment of the downtown area.
- **Bikeways Fund.** Used for improving, constructing and reconstructing bikeways within the City, and to acquire rights-of-way.
- **Signals Fund.** Used for purchasing, constructing and equipping street light and traffic signal upgrades and for the planning of an overall transportation plan.

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2007

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
<u>Assets</u>				
Pooled cash and investments	\$ 12,907,826	\$ 9,666,846	\$ 1,100,443	\$ 235,591
Receivables:				
Taxes	621,118	-	-	-
Accounts	-	-	-	-
Accrued interest	37,869	-	-	-
Due from other funds	2,173,634	-	-	-
Due from other governments	-	1,067,471	-	1,260,061
Inventories	-	961,520	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	4,750,494	-	-	-
Total assets	<u>\$ 20,490,941</u>	<u>\$ 11,695,837</u>	<u>\$ 1,100,443</u>	<u>\$ 1,495,652</u>
<u>Liabilities</u>				
Accounts payable	\$ 100,111	\$ 220,624	\$ -	\$ 150,153
Deposits	-	-	-	-
Accrued expenditures	12,680	73,594	-	11,538
Claims and judgements	3,406	46,414	-	-
Due to other funds	-	-	-	1,129,580
Deferred Revenue	-	-	-	50,000
Matured bonds payable	3,430,000	-	-	-
Matured interest payable	1,295,738	-	-	154,381
Total liabilities	<u>4,841,935</u>	<u>340,632</u>	<u>-</u>	<u>1,495,652</u>
<u>Fund Balances</u>				
Fund balance (deficit):				
Reserved for:				
Encumbrances	783,831	156,047	-	35,733
Inventories and prepaids	-	961,520	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	14,865,175	10,237,638	1,100,443	(35,733)
Total fund balances	<u>15,649,006</u>	<u>11,355,205</u>	<u>1,100,443</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 20,490,941</u>	<u>\$ 11,695,837</u>	<u>\$ 1,100,443</u>	<u>\$ 1,495,652</u>

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ 1,968,309	\$ 261,780	\$ 1,624,819	\$ 207,587	\$ 27,973,201
-	119,981	-	-	741,099
-	-	84,859	-	84,859
-	50,561	-	-	88,430
-	-	-	-	2,173,634
-	-	1,233,651	-	3,561,183
-	-	-	-	961,520
-	-	-	-	-
-	-	-	2,248,790	6,999,284
<u>\$ 1,968,309</u>	<u>\$ 432,322</u>	<u>\$ 2,943,329</u>	<u>\$ 2,456,377</u>	<u>\$ 42,583,210</u>
\$ 1,604	\$ 28,293	\$ 250,366	\$ 220,747	\$ 971,898
-	-	341,077	-	341,077
144,917	14,536	745	44	258,054
-	5,444	-	-	55,264
-	-	-	-	1,129,580
1,821,788	-	1,836,853	-	3,708,641
-	-	-	1,430,000	4,860,000
-	-	-	805,586	2,255,705
<u>1,968,309</u>	<u>48,273</u>	<u>2,429,041</u>	<u>2,456,377</u>	<u>13,580,219</u>
-	5,548	131,093	91,043	1,203,295
-	-	-	-	961,520
-	-	-	-	-
-	378,501	383,195	(91,043)	26,838,176
-	384,049	514,288	-	29,002,991
<u>\$ 1,968,309</u>	<u>\$ 432,322</u>	<u>\$ 2,943,329</u>	<u>\$ 2,456,377</u>	<u>\$ 42,583,210</u>

(continued)

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2007

Capital Projects					
	Streets	Police	Fire	Storm Sewers	Parks
Assets					
Pooled cash and investments	\$ 5,867,757	\$ 854,249	\$ 1,007,263	\$ 2,934,469	\$ 2,296,138
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 5,867,757</u>	<u>\$ 854,249</u>	<u>\$ 1,007,263</u>	<u>\$ 2,934,469</u>	<u>\$ 2,296,138</u>
Liabilities					
Accounts payable	\$ 552,488	\$ 137,963	\$ 133	\$ 23,592	\$ 82,134
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>552,488</u>	<u>137,963</u>	<u>133</u>	<u>23,592</u>	<u>82,134</u>
Fund Balances					
Fund balance (deficit):					
Reserved for:					
Encumbrances	1,272,542	437,901	84,563	477,102	368,041
Inventories and prepaids	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	4,042,727	278,385	922,567	2,433,775	1,845,963
Total fund balances	<u>5,315,269</u>	<u>716,286</u>	<u>1,007,130</u>	<u>2,910,877</u>	<u>2,214,004</u>
Total liabilities and fund balances	<u>\$ 5,867,757</u>	<u>\$ 854,249</u>	<u>\$ 1,007,263</u>	<u>\$ 2,934,469</u>	<u>\$ 2,296,138</u>

Capital Projects

Rio Salado	Community Development	Bikeways	Signals	Total	Total Nonmajor Governmental Funds
\$ 4,695,029	\$ 7,445,773	\$ -	\$ 1,294,849	\$ 26,395,527	\$ 54,368,728
-	-	-	-	-	741,099
-	33,090	-	-	33,090	117,949
-	-	-	-	-	88,430
-	-	-	-	-	2,173,634
-	-	481,356	320,283	801,639	4,362,822
-	-	-	-	-	961,520
-	637,500	-	-	637,500	637,500
-	15,420	-	-	15,420	7,014,704
<u>\$ 4,695,029</u>	<u>\$ 8,131,783</u>	<u>\$ 481,356</u>	<u>\$ 1,615,132</u>	<u>\$ 27,883,176</u>	<u>\$ 70,466,386</u>
\$ 211,699	\$ 262,342	\$ -	\$ 160,065	\$ 1,430,416	\$ 2,402,314
-	397,964	-	-	397,964	739,041
-	-	-	-	-	258,054
-	-	-	-	-	55,264
-	-	730,113	-	730,113	1,859,693
-	-	-	-	-	3,708,641
-	-	-	-	-	4,860,000
-	-	-	-	-	2,255,705
<u>211,699</u>	<u>660,306</u>	<u>730,113</u>	<u>160,065</u>	<u>2,558,493</u>	<u>16,138,712</u>
545,474	261,591	4,907	3,163	3,455,284	4,658,579
-	637,500	-	-	637,500	1,599,020
475,669	-	-	-	475,669	475,669
3,462,187	6,572,386	(253,664)	1,451,904	20,756,230	47,594,406
4,483,330	7,471,477	(248,757)	1,455,067	25,324,683	54,327,674
<u>\$ 4,695,029</u>	<u>\$ 8,131,783</u>	<u>\$ 481,356</u>	<u>\$ 1,615,132</u>	<u>\$ 27,883,176</u>	<u>\$ 70,466,386</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2007

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Revenues:				
Sales taxes	\$ 7,007,790	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental:				
Federal grants	-	-	-	3,869,328
State grants	-	-	-	-
State sales tax	-	11,854,088	-	-
Other	-	-	771,039	390,651
Investment income	827,758	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	-	6,636	-	-
Total revenues	<u>7,835,548</u>	<u>11,860,724</u>	<u>771,039</u>	<u>4,259,979</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	1,399,220	-	-	-
Parks and recreation	-	-	-	-
Public works	-	11,052,323	-	-
City attorney	-	-	-	-
Municipal courts	-	-	-	-
Development services	-	-	-	-
Community development	-	-	-	4,443,702
Debt service:				
Principal retirement	3,430,000	-	-	-
Interest and fiscal fees	2,628,635	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>7,457,855</u>	<u>11,052,323</u>	<u>-</u>	<u>4,443,702</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>377,693</u>	<u>808,401</u>	<u>771,039</u>	<u>(183,723)</u>
Other financing sources (uses):				
Transfers in:				
General fund	9,386	1,034,480	-	125,879
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	57,844
Enterprise funds	-	-	-	-
Transfers out:				
General fund	(3,600)	(5,621)	-	-
Special revenue funds	-	-	(257,013)	-
Capital projects funds	-	(87,361)	-	-
Enterprise funds	-	(309,862)	-	-
Issuance of debt	-	-	-	-
Premium on Issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	3,218	-	-
Proceeds of refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>5,786</u>	<u>634,854</u>	<u>(257,013)</u>	<u>183,723</u>
Net change in fund balances	383,479	1,443,255	514,026	-
Fund balance at beginning of year	15,265,527	9,911,950	586,417	-
Fund balance (deficit) at end of year	<u>\$ 15,649,006</u>	<u>\$ 11,355,205</u>	<u>\$ 1,100,443</u>	<u>\$ -</u>

City of Tempe, Arizona

Special Revenue				
Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ 1,037,037	\$ -	\$ -	\$ 8,044,827
-	74,291	-	-	74,291
8,508,012	-	2,221,430	-	14,598,770
-	-	218,921	-	218,921
-	-	-	-	11,854,088
-	-	1,498,556	-	2,660,246
35,747	239,924	85,459	1,899	1,190,787
-	2,653	95,863	524,240	622,756
-	-	705,449	-	705,449
-	-	-	-	-
-	157,341	912,559	53,335	1,129,871
8,543,759	1,511,246	5,738,237	579,474	41,100,006
-	-	2,191,445	-	2,191,445
-	-	890,832	-	890,832
-	-	848,057	-	2,247,277
-	-	78,956	-	78,956
-	-	-	-	11,052,323
-	-	47,571	-	47,571
-	-	793,611	-	793,611
-	71,164	833,301	-	904,465
8,543,759	1,603,584	47,900	2,061,877	16,700,822
-	-	-	1,430,000	4,860,000
-	-	-	1,815,170	4,443,805
-	-	-	-	-
8,543,759	1,674,748	5,731,673	5,307,047	44,211,107
-	(163,502)	6,564	(4,727,573)	(3,111,101)
-	78,868	-	1,626,309	2,874,922
-	-	-	-	-
-	-	-	3,036,273	3,036,273
-	-	-	-	57,844
-	-	-	-	-
-	(3,919)	-	-	(13,140)
-	-	-	-	(257,013)
-	-	(12,100)	(143,906)	(243,367)
-	-	-	-	(309,862)
-	-	-	-	-
-	-	-	1,112,553	1,112,553
-	-	-	-	3,218
-	-	-	17,088,489	17,088,489
-	-	-	(17,992,145)	(17,992,145)
-	74,949	(12,100)	4,727,573	5,357,772
-	(88,553)	(5,536)	-	2,246,671
-	472,602	519,824	-	26,756,320
\$ -	\$ 384,049	\$ 514,288	\$ -	\$ 29,002,991

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2007

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Intergovernmental:					
Federal grants	-	-	-	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	24,900	-	383,520
Investment Income	-	-	-	-	-
Charges for services	124,291	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other entities' participation	100,057	-	-	-	758,339
Miscellaneous	1,000	-	-	-	-
Total revenues	<u>225,348</u>	<u>-</u>	<u>24,900</u>	<u>-</u>	<u>1,141,859</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
City attorney	-	-	-	-	-
Municipal courts	-	-	-	-	-
Development services	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	3,904,478	12,613,750	267,643	2,324,545	2,980,930
Total expenditures	<u>3,904,478</u>	<u>12,613,750</u>	<u>267,643</u>	<u>2,324,545</u>	<u>2,980,930</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(3,679,130)</u>	<u>(12,613,750)</u>	<u>(242,743)</u>	<u>(2,324,545)</u>	<u>(1,839,071)</u>
Other financing sources (uses):					
Transfers in:					
General fund	12,202	80,000	1,045,000	-	-
Special revenue funds	560	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	222,284	-	-	-	138,646
Enterprise funds	13,000	-	-	3,640,923	-
Transfers out:					
General fund	(11,392)	-	(4,775)	-	-
Special revenue funds	-	-	-	-	(57,844)
Capital projects funds	(594,868)	-	-	(80,088)	(118,123)
Enterprise funds	-	-	-	-	(183,073)
Issuance of debt	-	2,650,000	40,000	-	226,176
Premium on issuance of debt	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>(358,214)</u>	<u>2,730,000</u>	<u>1,080,225</u>	<u>3,560,835</u>	<u>5,782</u>
Net change in fund balances	<u>(4,037,344)</u>	<u>(9,883,750)</u>	<u>837,482</u>	<u>1,236,290</u>	<u>(1,833,289)</u>
Fund balance at beginning of year	9,352,613	10,600,036	169,648	1,674,587	4,047,293
Fund balance (deficit) at end of year	<u>\$ 5,315,269</u>	<u>\$ 716,286</u>	<u>\$ 1,007,130</u>	<u>\$ 2,910,877</u>	<u>\$ 2,214,004</u>

City of Tempe, Arizona

Capital Projects					Total Nonmajor Governmental Funds
Rio Salado	Community Development Capital Projects	Bikeways	Signals	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,044,827
-	-	-	-	-	74,291
-	-	228,258	-	228,258	14,827,028
-	-	-	159,541	159,541	378,462
-	-	-	-	-	11,854,088
-	-	-	-	408,420	3,068,666
-	483	-	-	483	1,191,270
-	-	-	-	124,291	747,047
-	-	-	-	-	705,449
426,674	493,420	-	80,522	1,859,012	1,859,012
-	-	-	-	1,000	1,130,871
426,674	493,903	228,258	240,063	2,781,005	43,881,011
-	-	-	-	-	2,191,445
-	-	-	-	-	890,832
-	-	-	-	-	2,247,277
-	-	-	-	-	78,956
-	-	-	-	-	11,052,323
-	-	-	-	-	47,571
-	-	-	-	-	793,611
-	-	-	-	-	904,465
-	-	-	-	-	16,700,822
-	-	-	-	-	4,860,000
-	-	-	-	-	4,443,805
1,879,530	4,160,471	481,355	1,543,822	30,156,524	30,156,524
1,879,530	4,160,471	481,355	1,543,822	30,156,524	74,367,631
(1,452,856)	(3,666,568)	(253,097)	(1,303,759)	(27,375,519)	(30,486,620)
2,680,000	1,841,607	-	-	5,658,809	8,533,731
143,906	547,122	-	86,801	778,389	778,389
-	870,750	-	-	870,750	3,907,023
10,839	20,083	-	480,000	871,852	929,696
-	762,166	-	69,764	4,485,853	4,485,853
-	(13,863)	-	-	(30,030)	(43,170)
-	-	-	-	(57,844)	(314,857)
(1,806,196)	(199,485)	-	-	(2,798,760)	(3,042,127)
-	-	-	-	(183,073)	(492,935)
1,370,000	1,353,824	-	-	5,640,000	5,640,000
-	-	-	-	-	1,112,553
-	547,235	-	-	547,235	550,453
-	-	-	-	-	17,088,489
-	-	-	-	-	(17,992,145)
2,398,549	5,729,439	-	636,565	15,783,181	21,140,953
945,693	2,062,871	(253,097)	(667,194)	(11,592,338)	(9,345,667)
3,537,637	5,408,606	4,340	2,122,261	36,917,021	63,673,341
\$ 4,483,330	\$ 7,471,477	\$ (248,757)	\$ 1,455,067	\$ 25,324,683	\$ 54,327,674



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government and to other government units, on a cost reimbursement basis.

- **Risk Management Fund.** Used to account for the costs of general liability, automobile liability, property liability and workers compensation claims by the City under a self-insurance program.
- **Health Fund.** Accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

Combining Statement of Net Assets

Internal Service Funds

June 30, 2007

City of Tempe, Arizona

	Risk Management	Health	Total
<u>Assets</u>			
Current assets:			
Pooled cash and investments	\$ 9,139,144	\$ 1,801,061	\$ 10,940,205
Accounts receivable	-	104,641	104,641
Total assets	9,139,144	1,905,702	11,044,846
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	55,620	215,845	271,465
Accrued expenses and claims payable	9,083,524	-	9,083,524
Total liabilities	9,139,144	215,845	9,354,989
<u>Net Assets</u>			
Unrestricted	-	1,689,857	1,689,857
Total net assets	\$ -	\$ 1,689,857	\$ 1,689,857

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	Risk Management	Health	Total
Operating revenues:			
Contributions	\$ 26,107,133	\$ 22,263,089	\$ 48,370,222
Total operating revenues	<u>26,107,133</u>	<u>22,263,089</u>	<u>48,370,222</u>
Operating expenses:			
Claims incurred	16,106,033	21,685,206	37,791,239
Total operating expenses	<u>16,106,033</u>	<u>21,685,206</u>	<u>37,791,239</u>
Operating income	10,001,100	577,883	10,578,983
Transfers out	(1,100)	-	(1,100)
Changes in net assets	<u>10,000,000</u>	<u>577,883</u>	<u>10,577,883</u>
Total net assets- beginning	(10,000,000)	1,111,974	(8,888,026)
Total net assets- ending	<u>\$ -</u>	<u>\$ 1,689,857</u>	<u>\$ 1,689,857</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2007

City of Tempe, Arizona

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 26,107,133	\$ 22,158,448	\$ 48,265,581
Payments for settlement of claims	(25,204,252)	(21,672,892)	(46,877,144)
Net cash provided by operating activities	902,881	485,556	1,388,437
Cash flows from noncapital financing activities			
Transfers out	(1,100)	-	(1,100)
Net cash provided (used) by noncapital financing activities	(1,100)	-	(1,100)
Net increase in cash and cash equivalents	901,781	485,556	1,387,337
Cash and cash equivalents, beginning of year	8,237,363	1,315,505	9,552,868
Cash and cash equivalents, end of year	\$ 9,139,144	\$ 1,801,061	\$ 10,940,205
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income	\$ 10,001,100	\$ 577,883	\$ 10,578,983
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(104,641)	(104,641)
Increase (decrease) in accounts payable	(153,883)	12,314	(141,569)
Increase (decrease) in accrued expenses	(8,944,336)	-	(8,944,336)
Net cash provided by operating activities	\$ 902,881	\$ 485,556	\$ 1,388,437



Other Supplementary Information



BUDGETARY COMPARISON SCHEDULES



Combined Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

General, Debt Service, Special Revenue and Enterprise Fund Types

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 154,004,570	\$ 159,569,926	\$ 5,565,356
Intergovernmental	72,669,070	75,741,514	3,072,444
Investment income	6,212,884	12,252,075	6,039,191
Charges for services	71,135,862	73,523,395	2,387,533
Fines and forfeitures	8,521,765	7,701,805	(819,960)
Licenses and permits	1,750,506	1,524,891	(225,615)
Miscellaneous	3,318,500	4,904,130	1,585,630
Total revenues	<u>317,613,157</u>	<u>335,217,736</u>	<u>17,604,579</u>
Expenditures			
Current:			
Police	60,214,597	59,150,214	1,064,383
Fire	21,821,227	21,815,260	5,967
Community services	16,326,047	15,302,500	1,023,547
Parks and recreation	17,073,290	16,941,969	131,321
Public works	62,889,160	62,145,655	743,505
Community relations	2,981,380	2,880,146	101,234
Mayor and council	399,696	361,852	37,844
City manager	438,218	429,354	8,864
Diversity program	694,045	662,787	31,258
Internal audit/consulting	469,258	463,252	6,006
City clerk and elections	572,088	484,604	87,484
City attorney	2,839,083	2,794,620	44,463
Municipal courts	3,938,106	3,885,797	52,309
Development services	16,710,364	16,505,678	204,686
Community development	21,967,381	20,797,300	1,170,081
Financial Services	4,462,685	4,379,985	82,700
Human resources	2,934,068	2,903,528	30,540
Information technology	13,454,861	13,466,905	(12,044)
Information technology interdept charges	(12,860,009)	(13,058,429)	198,420
Water utilities	32,174,143	31,994,671	179,472
Non-departmental	7,016,226	6,015,555	1,000,671
Contingency	449,232	-	449,232
Debt Service:			
Principal	28,567,483	22,355,000	6,212,483
Interest and fiscal fees	25,596,524	22,784,834	2,811,690
Total expenditures	<u>331,129,153</u>	<u>315,463,037</u>	<u>15,666,116</u>
Other financing sources (uses)			
Transfers from other funds	2,651,333	7,471,421	4,820,088
Transfers to other funds	(20,399,778)	(31,534,017)	(11,134,239)
Premium on issuance of debt	-	1,746,522	1,746,522
Proceeds of refunding bonds	-	42,000,000	42,000,000
Payment to refunded bond escrow agent	-	(43,362,976)	(43,362,976)
Proceeds from sale of capital assets	-	132,683	132,683
Total other financing sources (uses)	<u>(17,748,445)</u>	<u>(23,546,367)</u>	<u>(5,797,922)</u>
Net change in fund balance	<u>\$ (31,264,441)</u>	<u>\$ (3,791,668)</u>	<u>\$ 27,472,773</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

General Obligation Debt Service Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Property taxes	\$ 18,580,379	\$ 17,383,725	\$ (1,196,654)
Investment income	-	28,720	28,720
Other entities' participation	-	28,041	28,041
Total revenues	<u>18,580,379</u>	<u>17,440,486</u>	<u>(1,139,893)</u>
Expenditures:			
Debt service:			
Principal retirement	9,101,344	7,870,000	1,231,344
Interest and fiscal fees	7,394,161	6,778,193	615,968
Total expenditures	<u>16,495,505</u>	<u>14,648,193</u>	<u>1,847,312</u>
Excess of revenues over expenditures before other financing uses	2,084,874	2,792,293	707,419
Other financing sources (uses):			
Transfers out	-	(3,907,023)	(3,907,023)
Premium on issuance of debt	-	633,969	633,969
Proceeds of refunding bonds	-	14,566,511	14,566,511
Payment to refunded bond escrow agent	-	(15,025,831)	(15,025,831)
Total other financing sources	<u>-</u>	<u>(3,732,374)</u>	<u>(3,732,374)</u>
Excess (deficiency) of revenues over expenditures and other financing sources	2,084,874	(940,081)	(3,024,955)
Fund balance at beginning of year	<u>18,120,931</u>	<u>18,120,931</u>	<u>-</u>
Fund balance at end of year	<u>\$ 20,205,805</u>	<u>\$ 17,180,850</u>	<u>\$ (3,024,955)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Performing Arts Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Sales taxes	\$ 6,796,800	\$ 7,007,790	\$ 210,990
Investment income	451,450	692,499	241,049
Fees and admissions	145,000	-	(145,000)
Total revenues	<u>7,393,250</u>	<u>7,700,289</u>	<u>307,039</u>
Expenditures:			
Current:			
Community services	3,194,865	2,176,340	1,018,525
Debt service:			
Principal retirement	3,445,000	3,430,000	15,000
Interest and fiscal fees	2,664,026	2,628,635	35,391
Total expenditures	<u>9,303,891</u>	<u>8,234,975</u>	<u>1,068,916</u>
Deficiency of revenues over expenditures before other financing sources (uses)	(1,910,641)	(534,686)	1,375,955
Other financing sources (uses):			
Transfers in	-	9,386	9,386
Transfers out	-	(3,600)	(3,600)
Total other financing sources	<u>-</u>	<u>5,786</u>	<u>5,786</u>
Deficiency of revenues and other sources over expenditures and other uses	(1,910,641)	(528,900)	1,381,741
Fund balance at beginning of year	<u>14,070,608</u>	<u>14,070,608</u>	<u>-</u>
Fund balance at end of year	<u>\$ 12,159,967</u>	<u>\$ 13,541,708</u>	<u>\$ 1,381,741</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
State sales tax	\$ 10,577,820	\$ 11,854,088	\$ 1,276,268
Miscellaneous	-	6,636	6,636
Total revenues	<u>10,577,820</u>	<u>11,860,724</u>	<u>1,282,904</u>
Expenditures:			
Current:			
Public works	9,215,111	9,157,456	57,655
Total expenditures	<u>9,215,111</u>	<u>9,157,456</u>	<u>57,655</u>
Excess of revenues over expenditures before other financing sources (uses)	1,362,709	2,703,268	1,340,559
Other financing sources (uses):			
Transfers in	1,850,000	1,034,480	(815,520)
Transfers out	(309,862)	(402,844)	(92,982)
Proceeds from sale of capital assets	-	3,218	3,218
Total other financing sources	<u>1,540,138</u>	<u>634,854</u>	<u>(905,284)</u>
Excess of revenues and other sources over expenditures and other uses	2,902,847	3,338,122	435,275
Fund balance at beginning of year	<u>8,960,819</u>	<u>8,960,819</u>	<u>-</u>
Fund balance at end of year	<u>\$ 11,863,666</u>	<u>\$ 12,298,941</u>	<u>\$ 435,275</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Local Transportation Assistance Fund For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Other	<u>\$ 783,200</u>	<u>\$ 771,039</u>	<u>\$ (12,161)</u>
Total revenues	<u>783,200</u>	<u>771,039</u>	<u>(12,161)</u>
Expenditures:			
Current:			
Public works	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures before other financing uses	783,200	771,039	(12,161)
Other financing uses:			
Transfers out	<u>(258,500)</u>	<u>(257,013)</u>	<u>1,487</u>
Total other financing uses	<u>(258,500)</u>	<u>(257,013)</u>	<u>1,487</u>
Excess of revenues over expenditures and other financing uses	524,700	514,026	(10,674)
Fund balance at beginning of year	<u>586,417</u>	<u>586,417</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,111,117</u>	<u>\$ 1,100,443</u>	<u>\$ (10,674)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Community Development Fund
For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Federal grants	\$ 4,223,765	\$ 3,905,084	\$ (318,681)
Other	200,000	390,651	190,651
Investment income	4,010	-	(4,010)
Total revenues	<u>4,427,775</u>	<u>4,295,735</u>	<u>(132,040)</u>
Expenditures:			
Current:			
Community development	<u>4,427,775</u>	<u>4,479,458</u>	<u>(51,683)</u>
Total expenditures	<u>4,427,775</u>	<u>4,479,458</u>	<u>(51,683)</u>
Deficiency of revenues over expenditures before other financing sources	-	(183,723)	(183,723)
Other financing sources:			
Transfers in	<u>-</u>	<u>183,723</u>	<u>183,723</u>
Total other financing uses	<u>-</u>	<u>183,723</u>	<u>183,723</u>
Deficiency of revenues and other financing sources over expenditures	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Federal grants	\$ 9,048,759	\$ 8,514,774	\$ (533,985)
Investment income	-	35,747	35,747
Total revenues	<u>9,048,759</u>	<u>8,550,521</u>	<u>(498,238)</u>
Expenditures:			
Current:			
Community development	9,048,759	8,550,521	498,238
Total expenditures	<u>9,048,759</u>	<u>8,550,521</u>	<u>498,238</u>
Excess of revenues over expenditures	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Rio Salado Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 699,646	\$ 1,037,037	\$ 337,391
Property taxes	70,000	74,291	4,291
Investment income	136,601	200,473	63,872
Charges for services	8,500	2,653	(5,847)
Miscellaneous	140,000	157,341	17,341
Total revenues	<u>1,054,747</u>	<u>1,471,795</u>	<u>417,048</u>
Expenditures:			
Current:			
Community development	<u>2,062,906</u>	<u>1,680,731</u>	<u>382,175</u>
Total expenditures	<u>2,062,906</u>	<u>1,680,731</u>	<u>382,175</u>
Deficiency of revenues over expenditures before other financing uses	(1,008,159)	(208,936)	799,223
Other financing sources (uses):			
Transfers in	-	78,868	78,868
Transfers out	-	(3,919)	(3,919)
Total other financing sources	<u>-</u>	<u>74,949</u>	<u>74,949</u>
Deficiency of revenues and other sources over expenditures and other uses	(1,008,159)	(133,987)	874,172
Fund balance at beginning of year	<u>501,911</u>	<u>501,911</u>	<u>-</u>
Fund balance at end of year	<u>\$ (506,248)</u>	<u>\$ 367,924</u>	<u>\$ 874,172</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Community Facilities District Fund
For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Investment income	\$ -	\$ 1,899	\$ 1,899
Charges for services	296,150	524,240	228,090
Miscellaneous	13,050	53,335	40,285
Total revenues	<u>309,200</u>	<u>579,474</u>	<u>270,274</u>
Expenditures:			
Current:			
Community development	2,497,394	2,152,920	344,474
Debt service:			
Principal	1,430,000	1,430,000	-
Interest and fiscal fees	1,671,098	1,815,170	(144,072)
Total expenditures	<u>5,598,492</u>	<u>5,398,090</u>	<u>200,402</u>
Deficiency of revenues over expenditures before other financing sources (uses)	(5,289,292)	(4,818,616)	470,676
Other financing sources (uses):			
Transfers in	-	4,662,582	4,662,582
Transfers out	-	(143,906)	(143,906)
Premium on issuance of debt	-	1,112,553	1,112,553
Proceeds of refunding bonds	-	17,088,489	17,088,489
Payment to refunded bond escrow agent	-	(17,992,145)	(17,992,145)
Total other financing sources	<u>-</u>	<u>4,727,573</u>	<u>4,727,573</u>
Deficiency of revenues and other sources over expenditures and other uses	(5,289,292)	(91,043)	5,198,249
Fund balance (deficit) at beginning of year	<u>(989,416)</u>	<u>(989,416)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (6,278,708)</u>	<u>\$(1,080,459)</u>	<u>\$ 5,198,249</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Federal grants	\$ -	\$ 15,170	\$ 15,170
Investment income	1,338,219	2,484,914	1,146,695
Charges for services	44,883,245	46,176,228	1,292,983
Miscellaneous	581,000	806,828	225,828
Total revenues	<u>46,802,464</u>	<u>49,483,140</u>	<u>2,680,676</u>
Expenditures:			
Current:			
Water utilities	32,174,143	31,994,671	179,472
Debt service:			
Principal	12,221,840	8,515,000	3,706,840
Interest and fiscal fees	10,322,798	8,313,103	2,009,695
Total expenditures	<u>54,718,781</u>	<u>48,822,774</u>	<u>5,896,007</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(7,916,317)	660,366	8,576,683
Other financing sources (uses):			
Transfers in	542,833	542,833	-
Transfers out	(762,166)	(964,641)	(202,475)
Proceeds of refunding bonds	-	10,345,000	10,345,000
Payment to refunded bond escrow agent	-	(10,345,000)	(10,345,000)
Proceeds from sale of capital assets	-	8,751	8,751
Total other financing sources	<u>(219,333)</u>	<u>(413,057)</u>	<u>(193,724)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(8,135,650)	247,309	8,382,959
Fund balance at beginning of year	<u>75,720,327</u>	<u>75,720,327</u>	<u>-</u>
Fund balance at end of year	<u>\$ 67,584,677</u>	<u>\$75,967,636</u>	<u>\$ 8,382,959</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Solid Waste Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Investment income	\$ 63,719	\$ 175,153	\$ 111,434
Charges for services	13,095,538	13,820,128	724,590
Miscellaneous	-	39,513	39,513
Total revenues	<u>13,159,257</u>	<u>14,034,794</u>	<u>875,537</u>
Expenditures:			
Current:			
Public works	<u>14,181,650</u>	<u>13,699,172</u>	<u>482,478</u>
Total expenditures	<u>14,181,650</u>	<u>13,699,172</u>	<u>482,478</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,022,393)	335,622	1,358,015
Other financing sources (uses):			
Transfers out	-	(130)	(130)
Proceeds from sale of capital assets	-	14,564	14,564
Total other financing sources	<u>-</u>	<u>14,434</u>	<u>14,434</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,022,393)	350,056	1,372,449
Fund balance at beginning of year	<u>3,247,424</u>	<u>3,247,424</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,225,031</u>	<u>\$ 3,597,480</u>	<u>\$ 1,372,449</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Golf Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Investment income	\$ 5,729	\$ 19,410	\$ 13,681
Charges for services	2,060,000	1,912,286	(147,714)
Miscellaneous	-	853	853
Total revenues	<u>2,065,729</u>	<u>1,932,549</u>	<u>(133,180)</u>
Expenditures:			
Current:			
Parks and recreation	1,969,402	1,908,907	60,495
Debt service:			
Principal	144,326	140,000	4,326
Interest and fiscal fees	81,703	10,204	71,499
Total expenditures	<u>2,195,431</u>	<u>2,059,111</u>	<u>136,320</u>
Deficiency of revenues over expenditures before other financing sources (uses)	(129,702)	(126,562)	3,140
Other financing sources (uses):			
Transfers in	-	50,642	50,642
Transfers out	-	-	-
Total other financing sources	<u>-</u>	<u>50,642</u>	<u>50,642</u>
Deficiency of revenues and other sources over expenditures and other uses	(129,702)	(75,920)	53,782
Fund balance at beginning of year	<u>418,796</u>	<u>418,796</u>	<u>-</u>
Fund balance at end of year	<u>\$ 289,094</u>	<u>\$ 342,876</u>	<u>\$ 53,782</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Cemetery Fund

For the Fiscal Year Ended June 30, 2007

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Investment income	\$ -	\$ 29,928	\$ 29,928
Charges for services	<u>171,000</u>	<u>18,339</u>	<u>(152,661)</u>
Total revenues	<u>171,000</u>	<u>48,267</u>	<u>(122,733)</u>
Expenditures:			
Current:			
Parks and recreation	153,543	91,825	61,718
Debt service:			
Principal	80,000	80,000	-
Interest and fiscal fees	<u>124,738</u>	<u>99,941</u>	<u>24,797</u>
Total expenditures	<u>358,281</u>	<u>271,766</u>	<u>86,515</u>
Deficiency of revenues over expenditures	(187,281)	(223,499)	(36,218)
Fund deficit at beginning of year	<u>(3,180,702)</u>	<u>(3,180,702)</u>	<u>-</u>
Fund deficit at end of year	<u>\$ (3,367,983)</u>	<u>\$ (3,404,201)</u>	<u>\$ (36,218)</u>



FINANCIAL DATA SCHEDULES

The Financial Data Schedules in this section are presented as required by the U.S. Department of housing and Urban Development in accordance with the Uniform Financial Reporting Standards Rule as contained in the Federal Register (24CFR, Part 5, Subpart H). These schedules are presented on a modified accrual basis of accounting.

Other Supplementary Information - Financial Data Schedule **Balance Sheet**

Housing Assistance Fund

June 30, 2007

City of Tempe, Arizona

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<u>Assets</u>		
111	Cash - unrestricted	\$ 1,968,309
121	Accounts receivable - PHA projects	-
	Total assets	<u>\$ 1,968,309</u>
<u>Liabilities</u>		
312	Accounts payable <= 90 days	\$ 1,604
321	Accrued wage/payroll taxes payable	10,770
331	Accounts payable - HUD PHA programs	134,147
342	Deferred revenues	<u>1,821,788</u>
	Total liabilities	<u>1,968,309</u>
<u>Equity</u>		
512	Undesignated fund balance	-
513	Total equity	-
600	Total liabilities and equity	<u>\$ 1,968,309</u>

Other Supplementary Information - Financial Data Schedule Revenues and Expenses

Housing Assistance Fund

For the Fiscal Year ended June 30, 2007

City of Tempe, Arizona

Line Item #	Account Description	Section 8 Voucher Program
<u>Revenues</u>		
706	HUD PHA grants	\$ 8,508,012
711	Investment income - unrestricted	35,747
715	Other revenue	-
	Total revenues	8,543,759
<u>Expenses</u>		
911	Administrative salaries	473,472
912	Auditing fees	4,973
914	Compensated absences	45,890
915	Employee benefit contributions - administrative	176,898
916	Other operating - administrative	112,881
973	Housing assistance payments	7,729,645
	Total expenses	8,543,759
	Excess of revenues over expenses	\$ -
<u>Memo Account Information</u>		
1113	Maximum annual contributions commitment (per ACC)	\$ 8,686,394
1115	Contingency reserve, ACC program reserve	-
1116	Total annual contributions available	\$ 8,686,394
1120	Unit months available	12,984
1121	Number of unit months leased	12,681



Statistical Section

This section provides a broad range of trend data covering key financial indicators including general governmental revenues and expenditures, property taxes, debt burden, demographics and miscellaneous data useful in assessing the City's financial condition.

STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding the information in the financial statements, note disclosures and required supplementary information in regards to the City's overall financial health.

- **Financial Trends.** These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.
- **Revenue Capacity.** These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sale and use taxes.
- **Debt Capacity.** These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
- **Economic and Demographic Information.** These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.
- **Operating Information.** These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements. These amounts are presented on the accrual basis of accounting.



Net Assets by Component (Exhibit S-1)

Last Six Fiscal Years

Accrual Basis of Accounting

	City of Tempe, Arizona					
	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
Governmental activities						
Invested in capital assets, net of related debt	\$ 433,414,734	\$ 440,494,223	\$ 426,857,287	\$ 425,257,427	\$ 388,629,882	\$ 397,087,925
Restricted	122,572,053	135,314,124	143,723,739	137,183,741	174,328,803	114,918,257
Unrestricted	102,002,207	73,239,199	91,829,853	153,918,478	226,533,760	414,023,370
Total governmental activities net assets	\$ 657,988,994	\$ 649,047,546	\$ 662,410,879	\$ 716,359,646	\$ 789,492,445	\$ 926,029,552
Business-type activities						
Invested in capital assets, net of related debt	\$ 173,224,647	\$ 171,881,978	\$ 174,841,674	\$ 191,670,395	\$ 174,110,077	\$ 177,682,915
Unrestricted	82,578,913	89,985,585	89,162,318	74,678,567	88,802,930	88,554,746
Total business-type activities net assets	\$ 255,803,560	\$ 261,867,563	\$ 264,003,992	\$ 266,348,962	\$ 262,913,007	\$ 266,237,661
Primary government						
Invested in capital assets, net of related debt	\$ 606,639,381	\$ 612,376,201	\$ 601,698,961	\$ 616,927,822	\$ 562,739,959	\$ 574,770,840
Restricted	132,637,849	143,444,919	152,737,563	137,183,741	174,328,803	114,918,257
Unrestricted	174,515,324	155,093,989	171,978,347	228,597,045	315,336,690	502,578,116
Total primary government net assets	\$ 913,792,554	\$ 910,915,109	\$ 926,414,871	\$ 982,708,608	\$ 1,052,405,452	\$ 1,192,267,213

Changes in Net Assets (Exhibit S-2a)

Last Six Fiscal Years

Accrual Basis of Accounting

	City of Tempe, Arizona					
	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
Expenses						
Governmental activities:						
Police	\$ 45,265,995	\$ 47,729,305	\$ 49,973,991	\$ 51,928,073	\$ 59,957,698	\$ 60,929,075
Fire	15,988,363	15,103,049	16,990,382	17,679,667	20,098,598	22,563,083
Community services	20,874,630	20,307,801	20,629,836	21,116,067	22,205,153	16,072,936
Parks and recreation	-	-	-	-	-	20,015,034
Public works	57,047,822	57,917,031	61,814,870	61,853,194	67,537,876	56,869,440
Community relations	2,212,271	2,845,176	2,472,966	2,312,548	2,499,978	2,816,030
Mayor and council	516,899	579,089	407,818	400,549	362,810	362,281
City manager	1,414,543	918,556	209,830	312,882	412,936	445,531
Diversity program	-	-	505,865	544,872	534,950	548,552
Internal audit/consulting	-	-	440,660	446,333	460,824	476,089
City clerk and elections	784,099	433,922	652,442	443,255	752,336	528,493
City attorney	2,420,285	2,027,045	2,087,009	2,262,903	2,348,553	2,903,028
Municipal courts	3,325,642	3,230,817	4,053,127	3,655,280	4,342,297	4,708,606
Development services	16,808,229	18,760,209	19,111,722	21,449,181	4,492,161	8,611,601
Community development	2,485,774	3,245,906	4,021,965	3,187,992	30,358,768	21,444,736
Financial services	4,906,157	5,404,942	3,946,238	4,102,556	4,256,427	4,597,029
Human resources	4,058,772	3,762,782	2,418,605	2,561,746	2,727,058	2,877,320
Information technology	804,751	4,185,163	2,280,717	1,854,603	1,462,595	889,443
Non-departmental	7,594,725	14,852,873	9,637,203	6,895,583	6,122,335	8,127,073
Interest on long-term debt	6,588,170	6,956,107	8,974,827	9,033,035	10,821,420	13,996,681
Total governmental activities expenses	193,097,127	208,259,773	210,630,073	212,040,319	241,754,773	249,782,061
Business-type activities:						
Water/Wastewater	38,892,299	38,417,396	42,739,236	47,156,603	53,588,122	53,688,700
Solid waste	10,294,641	10,205,570	10,912,307	11,413,402	11,836,691	12,403,387
Golf course	2,441,907	2,435,783	2,353,586	2,442,925	2,375,802	2,225,214
Cemetery	-	-	-	-	152,717	171,817
Total business-type activities expenses	51,628,847	51,058,749	56,005,129	61,012,930	67,953,332	68,489,118
Total primary government expenses	\$ 244,725,974	\$ 259,318,522	\$ 266,635,202	\$ 273,053,249	\$ 309,708,105	\$ 318,271,179

Changes in Net Assets (Exhibit S-2b)

Last Six Fiscal Years

Accrual Basis of Accounting

	City of Tempe, Arizona					
	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
Program Revenues						
Governmental activities:						
Charges for services:						
Police	\$ 28,181	\$ 833,378	\$ 836,081	\$ 877,330	\$ 877,704	\$ 831,973
Fire	43,782	334,773	305,964	41,561	566,505	1,116,101
Community services	4,586,011	4,996,644	5,213,032	5,045,852	5,098,319	5,353,815
Parks and recreation	-	-	-	-	-	30,053
Public works	3,343,519	4,112,610	5,261,301	9,904,057	6,594,229	7,940,104
Municipal courts	6,382,786	2,711,225	5,857,804	6,497,384	7,179,554	7,687,007
Development services	1,859,012	2,808,889	2,881,155	3,523,443	5,566,289	5,891,971
Economic development	179,726	238,226	238,417	325,191	-	-
Community development	-	-	-	-	637,445	526,893
Financial services	2,007,179	1,469,142	1,378,148	1,744,163	1,932,684	1,900,016
Non-departmental	115,498	83,938	59,598	78,767	92,827	284,084
Operating grants and contributions	11,782,757	13,490,697	14,346,903	16,245,880	19,903,398	18,812,530
Capital grants and contributions	9,376,155	5,098,677	12,589,817	33,688,443	54,935,929	103,412,667
Total governmental activities program revenues	39,704,606	36,178,199	48,968,220	77,972,071	103,384,883	153,787,214
Business-type activities:						
Charges for services:						
Water/wastewater	40,890,844	43,315,681	42,604,532	44,443,764	47,012,596	50,922,496
Solid waste	9,979,359	10,496,774	11,014,949	12,054,563	12,989,827	13,820,128
Golf course	2,124,037	1,920,699	2,020,132	1,954,278	1,971,031	1,912,286
Cemetery	-	-	-	-	18,943	18,339
Capital grants and contributions	2,033,578	179,754	751,525	2,835,223	506,593	4,782,425
Total business-type activities program revenues	55,027,818	55,912,908	56,391,138	61,287,828	62,498,990	71,455,674
Total primary government program revenues	\$ 94,732,424	\$ 92,091,107	\$ 105,359,358	\$ 139,259,899	\$ 165,883,873	\$ 225,242,888
Net (Expense)/Revenue						
Governmental activities	\$ (153,392,521)	\$ (172,081,574)	\$ (161,661,853)	\$ (134,068,248)	\$ (138,369,890)	\$ (95,994,847)
Business-type activities	3,398,971	4,854,159	386,009	274,898	(5,454,342)	2,966,556
Total primary government net expense	\$ (149,993,550)	\$ (167,227,415)	\$ (161,275,844)	\$ (133,793,350)	\$ (143,824,232)	\$ (93,028,291)

Changes in Net Assets (Exhibit S-2c)

Last Six Fiscal Years

Accrual Basis of Accounting

	City of Tempe, Arizona					
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General revenues and other changes in net assets						
Governmental activities:						
General revenues:						
Sales taxes	\$ 111,538,072	\$ 112,724,512	\$ 120,075,959	\$ 131,256,519	\$ 145,109,192	\$ 157,488,587
State shared income taxes, unrestricted	16,544,791	16,882,535	14,303,004	14,582,117	16,607,943	18,823,759
Property taxes	20,375,185	21,269,140	22,580,678	24,872,388	27,532,893	26,826,227
Franchise taxes	1,810,590	1,476,718	1,457,085	1,678,437	1,858,851	2,693,256
Auto-lieu taxes	5,233,512	6,247,543	6,427,396	6,791,043	7,527,675	6,870,739
Unrestricted investment earnings	11,223,592	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247
Miscellaneous	1,444,812	1,469,345	1,681,895	2,126,029	1,864,289	2,780,229
Gain on sale of capital assets	-	-	6,362,790	2,004,326	1,813,311	-
Transfers	(68,770)	171,977	(199,750)	168,734	1,149,970	3,711,910
Total governmental activities	168,101,784	163,140,126	175,025,186	188,017,015	211,502,689	232,531,954
Business-type activities:						
Unrestricted investment earnings	3,745,272	900,524	959,081	1,408,251	1,909,727	3,305,406
Miscellaneous	325,906	481,297	567,189	438,447	993,233	716,338
Gain on sale of capital assets	408,156	-	24,400	392,108	265,397	48,264
Transfers	68,770	(171,977)	199,750	(168,734)	(1,149,970)	(3,711,910)
Total business-type activities	4,548,104	1,209,844	1,750,420	2,070,072	2,018,387	358,098
Total primary government	\$ 172,649,888	\$ 164,349,970	\$ 176,775,606	\$ 190,087,087	\$ 213,521,076	\$ 232,890,052
Changes in net assets						
Governmental activities	\$ 14,709,263	\$ (8,941,448)	\$ 13,363,333	\$ 53,948,767	\$ 73,132,799	\$ 136,537,107
Business-type activities	7,947,075	6,064,003	2,136,429	2,344,970	(3,435,955)	3,324,654
Total primary government	\$ 22,656,338	\$ (2,877,445)	\$ 15,499,762	\$ 56,293,737	\$ 69,696,844	\$ 139,861,761

Fund Balances, Governmental Funds (Exhibit S-3)

Last Six Fiscal Years

Modified Accrual Basis of Accounting

	City of Tempe, Arizona					
	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
General fund						
Reserved	\$ 2,201,123	\$ 2,949,516	\$ 1,963,029	\$ 3,275,943	\$ 2,376,818	\$ 4,299,060
Unreserved	75,249,138	63,670,728	72,823,641	78,064,176	94,648,961	96,883,636
Total general fund	<u>\$ 77,450,261</u>	<u>\$ 66,620,244</u>	<u>\$ 74,786,670</u>	<u>\$ 81,340,119</u>	<u>\$ 97,025,779</u>	<u>\$ 101,182,696</u>
All other governmental funds						
Reserved	\$ 32,891,864	\$ 42,004,605	\$ 36,882,416	\$ 76,440,839	\$ 71,648,277	\$ 58,559,662
Unreserved, reported in:						
Debt service funds (A)	-	-	-	-	-	(66,826)
Special revenues funds	59,551,110	67,312,797	64,835,343	55,470,121	66,938,765	65,022,802
Capital projects funds	39,530,059	29,984,703	36,375,643	21,153,248	53,752,477	17,044,525
Total all other governmental funds	<u>\$ 131,973,033</u>	<u>\$ 139,302,105</u>	<u>\$ 138,093,402</u>	<u>\$ 153,064,208</u>	<u>\$ 192,339,519</u>	<u>\$ 140,560,163</u>

(A) In fiscal year 2006-07 the special assessment debt service fund is reported in unreserved fund balance due to the current year deficit balance.

Changes in Fund Balance, Governmental Funds (Exhibit S-4a)

Last Six Fiscal Years

Modified Accrual Basis of Accounting

	City of Tempe, Arizona					
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenues:						
Taxes	\$ 111,252,263	\$ 112,859,765	\$ 119,673,043	\$ 130,779,821	\$ 146,084,925	\$ 159,569,926
Intergovernmental	65,143,039	66,221,384	68,292,581	94,349,370	109,213,832	127,738,319
Investment earnings	11,223,592	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247
Charges for services	6,550,017	7,660,472	14,027,946	14,896,580	18,304,846	20,242,897
Fines and forfeitures	4,980,777	6,058,944	7,230,067	7,742,929	8,261,486	8,407,254
Other entities' participation	817,041	394,803	-	78,433	2,382,056	2,074,553
Special assessments	2,845,691	2,835,480	2,781,314	2,706,951	2,705,348	2,610,195
Licenses and permits	1,105,145	1,263,163	1,131,517	1,250,205	1,389,130	1,524,891
Miscellaneous	3,676,606	2,806,330	3,669,815	4,748,157	3,973,800	5,061,404
Total revenues	207,594,171	202,998,697	219,142,412	281,089,868	300,353,988	340,566,686
Expenditures:						
Police	44,524,665	45,287,397	48,576,160	50,148,794	59,977,366	60,200,957
Fire	14,903,901	14,944,261	15,622,805	17,235,231	19,599,806	21,054,670
Community services	19,353,717	18,578,259	18,809,726	18,653,915	20,743,534	15,289,688
Parks and recreation	-	-	-	-	-	15,166,076
Public works	41,042,674	40,904,425	43,811,239	45,853,027	48,822,208	49,026,864
Community relations	2,126,245	2,904,697	2,414,527	2,380,562	2,470,215	2,773,675
Mayor and council	516,899	579,089	407,818	400,549	362,810	362,281
City manager	1,464,931	944,568	254,578	293,964	383,025	440,915
Diversity program	-	-	472,233	544,032	520,748	542,292
Internal audit/consulting	-	-	408,862	420,449	450,650	462,751
City clerk and elections	774,756	442,615	641,753	440,041	747,588	484,894
City attorney	2,437,072	2,121,212	2,079,092	2,206,857	2,345,165	2,844,636
Municipal courts	3,261,268	3,142,488	4,039,664	3,588,317	4,454,473	4,662,214
Development services	15,815,204	17,919,144	17,285,467	19,435,003	5,768,444	17,278,332
Community development	2,445,475	2,956,263	4,002,794	3,296,692	19,795,483	20,566,776
Financial services	4,747,540	5,151,110	3,743,137	3,867,513	3,978,571	4,342,723
Human resources	4,049,591	3,797,137	2,388,877	2,567,259	2,730,740	2,842,328
Information technology	600,852	990,568	633,533	537,006	-	-
Non-departmental	1,412,665	9,197,356	3,440,150	4,433,871	3,937,911	6,031,097
Debt service:						
Principal retirement	10,884,500	8,105,000	10,345,000	10,470,000	14,580,000	15,765,000
Interest and fiscal fees	6,460,321	7,296,250	8,470,153	9,472,601	12,016,680	15,239,760
Capital outlay	36,318,048	58,052,049	52,669,125	84,525,728	153,861,610	193,312,819
Total expenditures	213,140,324	243,313,888	240,516,693	280,771,411	377,547,027	448,690,748
Deficiency of revenues over expenditures before other financing sources (uses)	(5,546,153)	(40,315,191)	(21,374,281)	(19,681,543)	(77,193,039)	(108,124,062)

Changes in Fund Balance, Governmental Funds (Exhibit S-4b)

Last Six Fiscal Years

Modified Accrual Basis of Accounting

	City of Tempe, Arizona					
	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
Other financing sources (uses):						
Transfers in	54,810,989	32,447,621	35,261,611	40,964,257	23,839,365	37,963,787
Transfers out	(54,879,759)	(32,275,644)	(35,461,361)	(40,795,523)	(22,689,395)	(34,250,777)
Issuance of debt	8,000,000	35,220,000	30,560,000	17,680,000	125,845,000	55,640,000
Premium on issuance of debt	-	-	1,861,088	-	1,847,396	1,746,522
Capital lease proceeds	686,109	990,569	633,533	537,006	220,940	108,464
Proceeds from sale of capital assets	-	-	8,492,867	2,004,326	3,090,704	656,603
Proceeds from loan	-	-	-	7,000,000	-	-
Proceeds of refunding bonds	5,970,000	40,931,700	24,945,000	-	-	31,655,000
Payment to refunded bond escrow agent	(5,948,430)	(40,500,000)	(24,145,002)	-	-	(33,017,976)
Total other financing sources (uses)	8,638,909	36,814,246	42,147,736	27,390,066	132,154,010	60,501,623
Net change in fund balances	\$ 3,092,756	\$ (3,500,945)	\$ 20,773,455	\$ 7,708,523	\$ 54,960,971	\$ (47,622,439)
Debt service as a percentage of noncapital expenditures	9.8%	8.3%	10.0%	10.2%	11.9%	12.1%

Taxable Sales and Percentage of Taxable Sales by Category (Exhibit S-5)

Last Nine Fiscal Years
Cash Basis

City of Tempe, Arizona

Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total	City Direct Sales Tax Rate
1999	\$ 2,699,934,000	\$ 834,741,353	\$ 460,132,588	\$ 356,863,882	\$ 380,975,471	\$ 108,374,328	\$ 90,028,235	\$ 99,786,294	\$ 5,030,836,151	1.70 %
2000	2,813,130,176	907,692,235	483,626,118	391,671,353	384,483,412	115,596,765	90,680,059	101,860,706	5,288,740,824	1.70
2001	2,952,902,588	1,013,508,353	529,601,294	410,577,353	377,591,647	124,502,176	103,980,412	99,680,412	5,712,344,235	1.70
2002	2,742,441,556	941,832,389	499,078,556	382,886,889	333,773,611	103,032,222	81,622,056	85,321,167	5,169,988,446	1.80
2003	2,719,123,222	906,578,056	467,647,889	368,798,222	296,740,778	106,429,056	91,584,111	92,733,667	5,049,635,001	1.80
2004	2,859,897,505	899,687,556	497,207,351	377,852,500	340,484,056	107,090,645	85,961,444	98,812,889	5,266,993,946	1.80
2005	3,143,763,590	917,707,487	501,110,558	412,292,532	410,634,122	122,425,842	97,748,939	109,532,310	5,715,215,380	1.80
2006	3,602,528,301	997,198,126	545,661,301	465,230,507	523,679,355	136,971,401	95,180,579	109,300,426	6,475,749,996	1.80
2007	3,732,944,444	1,085,111,111	571,722,222	484,500,000	784,444,444	132,888,889	82,277,778	116,722,222	6,990,611,110	1.80

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
1999	53.67 %	16.59 %	9.15 %	7.09 %	7.57 %	2.15 %	1.79 %	1.98 %	100 %
2000	53.19	17.16	9.14	7.41	7.27	2.19	1.71	1.93	100
2001	51.69	17.74	11.02	7.19	6.61	2.18	1.82	1.75	100
2002	53.05	18.22	9.65	7.41	6.46	1.99	1.58	1.65	100
2003	53.85	17.95	9.26	7.30	5.88	2.11	1.81	1.84	100
2004	54.30	17.08	9.44	7.17	6.46	2.03	1.63	1.88	100
2005	55.01	16.06	8.77	7.21	7.18	2.14	1.71	1.92	100
2006	55.63	15.40	8.43	7.18	8.09	2.12	1.47	1.89	100
2007	53.40	15.52	8.18	6.93	11.22	1.90	1.18	1.67	100

Source: City of Tempe, Arizona Tax and License Division

Note 1: In fiscal year 2000-01, City of Tempe, Arizona voters approved a 0.1% increase in the City sales tax

Direct and Overlapping Sales Tax Rates (Exhibit S-6)

Last Nine Fiscal Years				City of Tempe, Arizona		
Fiscal Year	City Direct Sales Tax Rate	Maricopa County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate		
1999	1.70 %	0.50 %	6.30 %	8.50 %		
2000	1.70	0.50	6.30	8.50		
2001	1.70	0.50	6.30	8.50		
2002	1.80	0.50	6.30	8.60		
2003	1.80	0.50	6.30	8.60		
2004	1.80	0.50	6.30	8.60		
2005	1.80	0.50	6.30	8.60		
2006	1.80	0.50	6.30	8.60		
2007	1.80	0.50	6.30	8.60		

Source: City of Tempe, Arizona Tax and License Division

Note 1: In fiscal year 2000-01, City of Tempe, Arizona voters approved a 0.1% increase in the City sales tax

Note 2: Information prior to fiscal year 1999 was not available in this format.



General Property Tax Information (Exhibit S-7)

City of Tempe, Arizona

Tax Levy Limitations

Beginning in 1980-81, the total tax levy is comprised of two elements: a primary levy for operating costs and a secondary levy for general obligation bond debt service requirements. The primary levy was limited to a 7% increase for 1980-81 and a 2% annual increase thereafter. In addition, the primary levy on residential property only is limited to an amount not more than 1% of market value. The secondary levy is unlimited.

Assessments and Collections

Since 1950-51, Maricopa County, at no charge to the cities, has assessed and collected all municipal property taxes. Remittances are made to the respective cities periodically as collections accrue.

Taxes Due

First installment, October 1st; second installment, March 1st.

Taxes Payable

City property taxes are payable at the office of the County Treasurer. Taxes for the first half of the year can be paid on the first of September through the first of November. Second half taxes can be paid on the first of March through the first of May.

Taxes Delinquent

The first half becomes delinquent on the first day of November at 5 p.m. The second half becomes delinquent on the first day of May at 5 p.m. Interest at the rate of 16% per annum attaches on the first and second installments following the delinquent dates.

Tax Sale

The sale of delinquent tax bills is begun on a date not earlier than February 1 nor later than March 1 following the May 1 date upon which the second half taxes become delinquent. The sale is made at public auction in the office of the County Treasurer. Tax bills are sold to the highest bidder who offers to pay the accumulated amount of tax and to charge thereon the lowest rate of interest. The maximum amount of interest allowed by law is 12% per annum. The purchaser is given a Certificate of Purchase for each parcel.

Tax Deed

Five years subsequent to the tax sale, the holder of a Certificate of Purchase which has not been redeemed by the delinquent property owner may demand a County Treasurer's Deed. However, at the end of three full years, a holder of a Certificate of Purchase may institute quiet title action and the court will instruct the County Treasurer to issue a County Treasurer's Deed if the suit is successful.

Redemption

Redemption may be made by the delinquent property owner or any interested party by payment in full of all accumulated charges at any time before issuance of the tax deed. Payment may be made to the County Treasurer.

Primary and Secondary Assessed Value and Estimated Actual Value of Taxable Property (Exhibit S-8)

Last Six Fiscal Years

Rate per \$100 of Assessed Value

Fiscal Year Ended June 30,	Commercial, Manufacturing, Telecommunications Property	Vacant, Agricultural & Governmental Property	Owner Occupied Residential Property	Rental Residential Property	Railroad & Airlines Property
2002					
Primary \$	834,642,415	\$ 31,186,396	\$ 374,437,089	\$ 123,377,474	\$ 1,710,226
Secondary	887,301,591	38,657,266	388,110,036	135,780,153	1,811,596
2003					
Primary	915,869,448	30,810,942	384,928,341	130,945,963	1,639,351
Secondary	981,176,470	38,767,071	388,897,351	136,567,526	1,737,214
2004					
Primary	935,290,666	28,432,421	461,432,599	139,596,174	1,695,416
Secondary	1,016,813,162	40,528,635	466,917,457	153,014,453	1,829,752
2005					
Primary	1,013,975,894	28,432,421	461,432,599	146,840,125	2,973,252
Secondary	1,094,932,248	37,741,236	472,792,985	152,253,913	3,347,552
2006					
Primary	1,245,827,301	238,624,198	499,989,878	163,440,750	2,770,242
Secondary	1,303,026,577	282,897,988	528,444,640	175,658,220	3,046,217
2007					
Primary	1,306,192,761	249,763,558	515,469,816	175,924,392	3,008,952
Secondary	1,392,698,031	335,482,079	523,973,749	182,197,200	3,198,718

Source: Maricopa County Assessor's Office

Note: Beginning in 1980-81, the total tax levy is comprised of two elements: a primary levy for operating costs and a secondary levy for general obligation bond debt service requirements. The primary levy was limited to a 7% increase for 1980-81 and a 2% annual increase thereafter. In addition, the primary levy on residential property only is limited to an amount not more than 1% of market value. The secondary levy is unlimited.

(A) Assessed values are shown net of tax-exempt property for fiscal year 2002 through 2005.

City of Tempe, Arizona

Non-commercial Historic Property	Less: Tax-Exempt Property (A)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 4,667,240	\$ N/A	\$ 1,370,020,840	\$ 0.53	\$ 9,756,507,857	14.04 %
4,700,975	N/A	1,456,361,617	0.82	9,197,839,943	15.83
9,336,275	N/A	1,473,530,320	0.52	10,505,677,932	14.03
9,346,662	N/A	1,556,492,294	0.83	9,669,307,443	16.10
9,128,538	N/A	1,575,575,814	0.55	11,424,612,316	13.79
9,348,956	N/A	1,688,452,415	0.80	10,779,997,040	15.66
7,538,097	N/A	1,661,192,388	0.53	12,379,112,416	13.42
7,809,451	N/A	1,768,877,385	0.82	11,034,323,885	16.03
1,229,232	350,861,051	1,801,020,550	0.52	13,289,932,548	13.55
1,426,854	390,074,308	1,904,426,188	0.88	14,207,441,131	13.40
1,341,770	356,496,779	1,895,204,470	0.52	13,995,714,438	13.54
1,448,936	432,295,381	2,006,703,332	0.88	15,035,677,275	13.35

Property Tax Rates - All Direct and Overlapping Governments (Exhibit S-9)

Last Ten Fiscal Years

Rate per \$100 of Assessed Value

Fiscal Year		City of Tempe	Schools			Maricopa County	Community College
			Tempe Union	Tempe Elementary (A)	East Valley Institute of Technology		
1997-98	Primary	\$ 0.56	\$ 2.23	\$ 3.00	\$ -	\$ 1.66	\$ 0.98
	Secondary	0.84	1.00	1.10	0.07	0.14	0.16
	Total	<u>1.40</u>	<u>3.23</u>	<u>4.10</u>	<u>0.07</u>	<u>1.80</u>	<u>1.14</u>
1998-99	Primary	0.54	2.30	3.18	-	1.68	0.99
	Secondary	0.86	1.27	1.17	0.07	0.13	0.13
	Total	<u>1.40</u>	<u>3.57</u>	<u>4.35</u>	<u>0.07</u>	<u>1.81</u>	<u>1.12</u>
1999-00	Primary	0.55	2.45	3.37	-	1.19	0.97
	Secondary	0.85	1.45	1.00	0.07	0.11	0.15
	Total	<u>1.40</u>	<u>3.90</u>	<u>4.37</u>	<u>0.07</u>	<u>1.30</u>	<u>1.12</u>
2000-01	Primary	0.55	2.05	3.40	-	1.17	0.97
	Secondary	0.80	1.26	1.01	0.07	0.12	0.15
	Total	<u>1.35</u>	<u>3.31</u>	<u>4.41</u>	<u>0.07</u>	<u>1.29</u>	<u>1.12</u>
2001-02	Primary	0.53	2.08	3.41	-	1.18	0.96
	Secondary	0.82	1.11	1.00	0.06	0.09	0.15
	Total	<u>1.35</u>	<u>3.19</u>	<u>4.41</u>	<u>0.06</u>	<u>1.27</u>	<u>1.11</u>
2002-03	Primary	0.52	2.19	3.32	-	1.21	0.96
	Secondary	0.83	1.13	0.95	0.06	0.08	0.15
	Total	<u>1.35</u>	<u>3.32</u>	<u>4.27</u>	<u>0.06</u>	<u>1.29</u>	<u>1.11</u>
2003-04	Primary	0.55	2.24	3.10	-	1.21	0.94
	Secondary	0.80	1.05	1.10	0.05	0.07	0.14
	Total	<u>1.35</u>	<u>3.29</u>	<u>4.20</u>	<u>0.05</u>	<u>1.28</u>	<u>1.08</u>
2004-05	Primary	0.53	2.05	2.90	-	1.21	0.92
	Secondary	0.82	0.99	1.09	0.05	-	0.12
	Total	<u>1.35</u>	<u>3.04</u>	<u>3.99</u>	<u>0.05</u>	<u>1.21</u>	<u>1.04</u>
2005-06	Primary	0.52	1.73	2.90	-	1.20	0.89
	Secondary	0.88	0.92	1.08	0.06	-	0.14
	Total	<u>1.40</u>	<u>2.65</u>	<u>3.98</u>	<u>0.06</u>	<u>1.20</u>	<u>1.03</u>
2006-07	Primary	0.52	1.74	2.61	-	1.18	0.88
	Secondary	0.88	0.89	1.38	0.05	-	0.18
	Total	<u>1.40</u>	<u>2.63</u>	<u>3.99</u>	<u>0.05</u>	<u>1.18</u>	<u>1.06</u>

Source: Maricopa County Assessor's Office
Maricopa County Tax Levies & Rates Publication

- (A) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$11.02, \$9.32 or \$11.02, respectively. Also, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (Exhibit S-15).

County-Wide Jurisdiction						Total
County Ed Equalization Rate	Flood District	Central Arizona Project	Fire District Assistance	County Free Library District	Special Health Care District	
\$ N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8.43
N/A	0.34	0.14	0.01	0.04	-	3.84
N/A	0.34	0.14	0.01	0.04	-	12.27
N/A	-	-	-	-	-	8.69
N/A	0.33	0.14	0.01	0.04	-	4.15
N/A	0.33	0.14	0.01	0.04	-	12.84
0.52	-	-	-	-	-	9.05
-	0.29	0.14	0.01	0.04	-	4.11
0.52	0.29	0.14	0.01	0.04	-	13.16
0.51	-	-	-	-	-	8.65
-	0.25	0.13	0.01	0.04	-	3.84
0.51	0.25	0.13	0.01	0.04	-	12.49
0.50	-	-	-	-	-	8.66
-	0.23	0.13	0.01	0.04	-	3.64
0.50	0.23	0.13	0.01	0.04	-	12.30
0.49	-	-	-	-	-	8.69
-	0.21	0.13	0.01	0.04	-	3.59
0.49	0.21	0.13	0.01	0.04	-	12.28
0.47	-	-	-	-	-	8.51
-	0.21	0.12	0.01	0.05	-	3.60
0.47	0.21	0.12	0.01	0.05	-	12.11
0.46	-	-	-	-	-	8.07
-	0.21	0.12	0.01	0.05	-	3.46
0.46	0.21	0.12	0.01	0.05	-	11.53
0.44	-	-	-	-	-	7.68
-	0.21	0.12	0.01	0.05	0.12	3.59
0.44	0.21	0.12	0.01	0.05	0.12	11.27
-	-	-	-	-	-	6.93
-	0.20	0.12	0.01	0.05	0.12	3.88
0.00	0.20	0.12	0.01	0.05	0.12	10.81

Property Tax Levies - All Direct and Overlapping Governments (Exhibit S-10)

Last Ten Fiscal Years

Fiscal Year		City of Tempe	Schools			Maricopa County (C)	Community College
			Tempe Union	Tempe Elementary (A)	East Valley Institute of Technology		
1997-98	Primary	\$ 5,303,027	\$ 37,304,352	\$ 23,951,371	\$ -	\$ 248,578,872	\$ 146,259,046
	Secondary	8,388,168	17,447,673	8,842,996	4,274,560	21,446,852	25,143,528
	Total	13,691,195	54,752,025	32,794,367	4,274,560	270,025,724	171,402,574
1998-99	Primary	5,612,357	42,137,221	27,500,363	-	268,641,579	158,026,342
	Secondary	9,490,562	24,250,898	10,736,890	5,130,129	22,058,679	21,173,925
	Total	15,102,919	66,388,119	38,237,253	5,130,129	290,700,258	179,200,267
1999-00	Primary	6,270,439	49,048,837	31,471,163	-	207,540,697	170,115,611
	Secondary	10,557,655	31,196,746	10,270,170	5,922,133	20,264,361	28,833,135
	Total	16,828,094	80,245,583	41,741,333	5,922,133	227,805,058	198,948,746
2000-01	Primary	6,956,983	45,938,017	35,072,934	-	225,396,514	187,642,684
	Secondary	10,812,099	30,369,063	11,339,936	6,155,098	24,051,128	31,377,241
	Total	17,769,082	76,307,080	46,412,870	6,155,098	249,447,642	219,019,925
2001-02	Primary	7,288,511	50,998,246	38,038,775	-	252,676,223	204,648,094
	Secondary	11,913,038	28,778,881	11,823,692	6,258,774	20,071,906	34,930,475
	Total	19,201,549	79,777,127	49,862,467	6,258,774	272,748,129	239,578,569
2002-03	Primary	7,682,987	56,994,879	40,319,642	-	277,949,612	221,156,802
	Secondary	12,897,095	31,162,656	12,272,916	6,175,823	19,565,638	36,526,312
	Total	20,580,082	88,157,535	52,592,558	6,175,823	297,515,250	257,683,114
2003-04	Primary	8,621,551	63,921,636	40,269,326	-	308,122,580	239,464,278
	Secondary	13,554,896	32,236,303	15,349,563	6,429,195	19,234,591	37,777,314
	Total	22,176,447	96,157,939	55,618,889	6,429,195	327,357,171	277,241,592
2004-05	Primary	8,792,691	62,191,787	39,486,342	-	339,882,099	258,560,787
	Secondary	14,517,177	32,057,837	15,894,306	6,507,464	-	34,904,190
	Total	23,309,868	94,249,624	55,380,648	6,507,464	339,882,099	293,464,977
2005-06	Primary	9,413,934	56,658,831	43,132,854	-	371,224,118	277,107,904
	Secondary	16,707,531	31,948,408	17,095,540	8,400,949	-	45,791,129
	Total	26,121,465	88,607,239	60,228,394	8,400,949	371,224,118	322,899,033
2006-07	Primary	9,822,845	59,625,270	40,935,824	-	398,725,245	298,014,922
	Secondary	17,693,103	32,003,893	22,931,797	7,877,526	-	66,462,148
	Total	27,515,948	91,629,163	63,867,621	7,877,526	398,725,245	364,477,070

Source: Maricopa County Assessor's Office
Maricopa County Tax Levies & Rates Publication

- (A) For levies for Tempe property owners residing within Kyrene, Scottsdale or Mesa School Districts, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (Exhibit S-15).
- (B) District which had its first secondary tax levy set in FY 2005-06.
- (C) For FY 1997-98 through 1998-99 the County Ed Equalization rate was included in the Maricopa County rate.

County-Wide Jurisdictions						Total
Flood District	County Ed Equalization Rate	Central Arizona Project	Fire District Assistance	County Free Library District	Special Health Care District (B)	
\$ -	N/A	\$ -	\$ -	\$ -	\$ -	\$ 461,396,668
42,339,342	N/A	22,012,897	1,645,591	6,619,593	-	158,161,200
42,339,342	-	22,012,897	1,645,591	6,619,593	-	619,557,868
-	N/A	-	-	-	-	501,917,862
44,670,223	N/A	23,536,796	1,737,365	7,078,280	-	169,863,747
44,670,223	-	23,536,796	1,737,365	7,078,280	-	671,781,609
-	91,109,039	-	-	-	-	555,555,786
44,310,754	-	26,147,563	1,873,777	7,862,946	-	187,239,240
44,310,754	91,109,039	26,147,563	1,873,777	7,862,946	-	742,795,026
-	99,193,054	-	-	-	-	600,200,186
44,309,245	-	27,141,030	1,997,318	8,789,518	-	196,341,676
44,309,245	99,193,054	27,141,030	1,997,318	8,789,518	-	796,541,862
-	106,221,394	-	-	-	-	659,871,243
45,322,696	-	29,787,075	2,086,084	9,646,430	-	200,619,051
45,322,696	106,221,394	29,787,075	2,086,084	9,646,430	-	860,490,294
-	112,231,223	-	-	-	-	716,335,145
44,868,063	-	31,805,013	1,859,466	10,296,417	-	207,429,399
44,868,063	112,231,223	31,805,013	1,859,466	10,296,417	-	923,764,544
-	120,037,513	-	-	-	-	780,436,884
51,153,993	-	33,010,980	1,931,237	14,316,032	-	224,994,104
51,153,993	120,037,513	33,010,980	1,931,237	14,316,032	-	1,005,430,988
-	128,003,169	-	-	-	-	836,916,875
56,334,141	-	36,112,556	2,084,229	15,664,900	-	214,076,800
56,334,141	128,003,169	36,112,556	2,084,229	15,664,900	-	1,050,993,675
-	135,142,821	-	-	-	-	892,680,462
62,733,411	-	39,800,085	2,276,200	17,295,751	40,000,000	282,049,004
62,733,411	135,142,821	39,800,085	2,276,200	17,295,751	40,000,000	1,174,729,466
-	-	-	-	-	-	807,124,106
67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	318,518,743
67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	1,125,642,849

Property Tax Levies and Collections (Exhibit S-11)

Last Ten Fiscal Years				City of Tempe, Arizona			
Fiscal Year	Total Tax Levy For Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	% of Levy	Amount	% of Levy	Amount	% of Levy
1997-98	\$ 13,691,195	\$ 12,116,241	88.5 %	\$ 215,516	90.1 %	\$ 12,331,757	90.1 %
1998-99	15,102,919	13,357,098	88.4	200,213	89.8	13,557,311	89.8
1999-00	16,828,094	14,946,148	88.8	258,257	90.4	15,204,405	90.4
2000-01	17,769,082	15,795,257	88.9	303,290	90.6	16,098,547	90.6
2001-02	19,201,549	18,543,839	96.6	319,446	98.2	18,863,285	98.2
2002-03	20,580,082	19,789,415	96.2	253,847	97.4	20,043,262	97.4
2003-04	22,176,447	21,283,933	96.0	274,988	97.2	21,558,921	97.2
2004-05	23,309,868	22,921,016	98.3	262,939	99.5	23,183,955	99.5
2005-06	26,121,465	25,519,585	97.7	(54,610)	97.5	25,464,975	97.5
2006-07	27,385,069	26,185,044	95.6	-	95.6	26,185,044	95.6

Source: Maricopa County Treasurer
Maricopa County Assessor

Principal Tax Payers (Exhibit S-12a)

Property Tax

Current Year and Nine Years Prior

		City of Tempe, Arizona			
		2007		1998	
Taxpayer	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value	Taxable Secondary Assessed Value	Percentage of Total City Secondary Taxable Assessed Value
Arizona Mills LLC	\$ 31,937,563	1	1.59 %	\$	%
Quest Corporation	30,103,780	2	1.50	28,744,347	2.89
Arizona Public Service Company	26,153,813	3	1.30	21,102,032	2.12
Wells Fargo Bank N A	17,957,644	4	0.89		
AT&T	15,395,355	5	0.77		
Allied Signal	15,202,114	6	0.76		
Papago Buttes Corporate, LLC	12,980,573	7	0.65		
Freescale Semiconductor Inc	11,518,321	8	0.57		
State Farm Mutual Auto Insurance	9,767,072	9	0.49		
Motorola, Incorporated	-		-	28,628,831	2.88
Wells Fargo Bank	9,519,797	10	0.47	6,708,724	0.68
Amerback (Commercial Property)	-		-	6,286,193	0.63
Southwest Gas Corp.	-		-	5,777,345	0.58
Garrett Corporation	-		-	5,714,518	0.58
Phoenix Coca-Cola	-		-	5,608,365	0.56
Evans Withycombe	-		-	4,107,033	0.41
Micro-Rel Inc.	-		-	4,025,801	0.41
Total	\$ 180,536,032		8.99 %	\$ 116,703,189	11.74 %

Source 2007: Dain Rauscher
Source 1998: Maricopa County Assessor's Office

Principal Tax Payers (Exhibit S-12b)

Sales and Use Tax

Current Year and Nine Years Prior

City of Tempe, Arizona							
		2007		1998			
<u>Taxpayer</u>	<u>Business Type</u>	<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>	<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>
Taxpayer A	Utility	\$ 4,833,610	1	0.23 %	\$ 2,885,612	1	0.21 %
Taxpayer B	Auto Dealer	2,409,688	2	0.11			
Taxpayer C	Retail	2,351,411	3	0.11			
Taxpayer D	Retail	1,979,194	4	0.09	1,712,085	3	0.12
Taxpayer E	Construction Contracting	1,811,731	5	0.09			
Taxpayer F	Retail	1,791,736	6	0.08	1,297,167	4	0.09
Taxpayer G	Retail	1,788,963	7	0.08			
Taxpayer H	Auto Dealer	1,565,346	8	0.07			
Taxpayer I	Auto Dealer	1,496,352	9	0.07			
Taxpayer J	Auto Dealer	1,268,477	10	0.06			
Taxpayer K	Auto Dealer						
Taxpayer L	Computer Equipment and Software				1,987,193	2	0.14
Taxpayer M	Telecommunications				1,267,744	5	0.09
Taxpayer N	Grocery Store				1,081,913	6	0.08
Taxpayer O	Auto Dealer				1,075,223	7	0.08
Taxpayer P	Computer Equipment and Software				898,022	8	0.06
Taxpayer Q	Grocery Store				870,580	9	0.06
					839,351	10	0.06
Total		\$ 21,296,508		1.00 %	\$ 13,914,890		1.00 %

Source: City's Tax and License Division

Ratios of Outstanding Debt by Type (Exhibit S-13)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Governmental Activities							Total Government Type Debt
	General Obligation Bonds	Special Assessment Bonds	Refunding Certificates of Participation	Municipal Property Corporation Bonds	Excise Tax Revenue Bonds	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases
1997-98	\$ 58,247,603 (A)	\$ 20,190,000	\$ 4,775,000	\$ 2,389,996	\$ 47,100,000	\$ -	\$ 8,920,249	\$ 3,698,582
1998-99	70,535,000	24,955,000	5,110,000	1,220,325	56,200,000	-	8,676,551	3,503,015
1999-00	66,405,000	23,550,000	4,710,000	-	63,110,000	-	7,664,576	2,453,690
2000-01	72,105,000	21,925,000	4,270,000	-	52,835,000	-	5,309,952	8,602,330
2001-02	75,535,000	20,250,000	3,810,000	-	47,380,000	-	3,980,206	7,861,086
2002-03	90,395,000	18,520,000	3,335,000	-	60,650,000	-	3,654,755	7,436,279
2003-04	91,640,000	16,725,000	2,840,000	-	81,910,000	-	3,258,112	7,186,712
2004-05	99,880,000	19,345,000	2,320,000	-	78,780,000	7,000,000	2,845,604	7,209,396
2005-06	117,610,000	17,490,000	1,780,000	-	174,710,000	7,000,000	2,416,596	6,732,171
2006-07	116,500,000	15,345,000	1,220,000	-	218,480,000	7,000,000	1,970,427	4,923,764

Business-Type Activities

Fiscal Year	Municipal				Total		Percentage of Personal Income	Per Capita
	General Obligation Bonds	Property Corporation Bonds	Excise Tax Revenue Bonds	Capital Improvement Notes	Business Type Debt	Primary Government		
1997-98	\$ 57,495,000	\$ 3,820,004	\$ -	\$ 575,205	\$ 61,890,209	\$ 207,211,639	6.56 %	\$ 1,322.46
1998-99	57,995,000	2,359,675	-	473,673	70,828,348	241,028,239	7.33	1,528.85
1999-00	62,600,000	835,000	-	365,796	63,800,796	231,694,062	6.78	1,460.64
2000-01	70,860,000	735,000	-	251,176	71,846,176	236,893,458	6.65	1,477.00
2001-02	78,595,000	630,000	-	129,393	79,354,393	238,170,685	6.65	1,493.84
2002-03	97,580,000	520,000	-	-	98,100,000	282,091,034	7.78	1,769.43
2003-04	103,735,000	400,000	-	-	104,135,000	307,694,824	8.38	1,927.73
2004-05	137,390,000	275,000	-	-	137,665,000	355,045,000	9.48	2,207.72
2005-06	180,935,000	140,000	2,330,004	-	183,405,004	511,143,771	13.09	3,082.97
2006-07	243,265,000	-	2,130,000	-	245,395,000	610,834,191	14.91	3,665.92

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(A) Includes accreted interest and premium on Capital Appreciation bonds.

Percent of Net Direct Debt to Assessed Valuation and Net Direct Debt per Capita (Exhibit S-14)

Last Ten Fiscal Years

City of Tempe, Arizona									
Fiscal Year	General Obligation Debt	Less: Debt Service Reserves	Net Direct Debt	Secondary Assessed Valuation (A)	Percent of Net Direct Debt To Assessed Valuation	Population (B)	Net Direct Debt Per Capita		
1997-98	\$ 58,247,603	(C) \$ 7,620,884	\$ 50,626,719	\$ 993,270,348	5.1 %	156,686	\$ 323.11		
1998-99	70,535,000	8,019,429	62,515,571	1,098,826,160	5.7	157,653	396.54		
1999-00	66,405,000	7,302,028	59,102,972	1,240,471,800	4.8	158,625	372.60		
2000-01	72,105,000	9,135,690	62,969,310	1,356,429,397	4.6	160,388	392.61		
2001-02	75,535,000	12,123,427	63,411,573	1,456,361,617	4.4	159,435	397.73		
2002-03	90,395,000	13,471,704	76,923,296	1,556,492,294	4.9	159,425	482.50		
2003-04	91,640,000	13,335,706	78,304,294	1,688,452,415	4.6	159,615	490.58		
2004-05	99,880,000	15,991,147	83,888,853	1,768,877,385	4.7	160,820	521.63		
2005-06	117,610,000	18,547,848	99,062,152	1,904,426,188	5.2	165,796	597.49		
2006-07	116,500,000	17,607,767	98,892,233	2,006,703,332	4.9	166,625	593.50		

Source: (A) Assessed valuation from Maricopa County Assessor's Office

(B) Population estimates from Maricopa Association of Governments

(C) Includes accreted interest and premium on Capital Appreciation Bonds.

Net Direct and Overlapping General Obligation Bonded Debt (Exhibit S-15)

City of Tempe, Arizona						
	Jurisdiction	2006-07 Secondary Assessed Valuation	Net Bonded Debt	Portion Applicable To City of Tempe		2006-07 Secondary Tax Rate Per \$100 Assessed
				Percent	Amount	
<u>Net Direct</u>						
	City of Tempe - General (net)	\$ 2,006,703,332	\$ 98,892,233 (A)	100.00 %	\$ 98,892,233	\$ 0.88
<u>Overlapping</u>						
	State of Arizona	54,436,547,031	None	N/A	None	N/A
	Maricopa County	36,294,693,601	None	N/A	None	N/A
	Maricopa County Community College	36,294,693,601	375,395,000	5.53	20,755,276	0.18
	Tempe Union High School District No. 213	3,418,737,114	135,925,000	57.50	78,154,768	0.89
	Tempe Elementary School District No. 3	1,566,782,493	69,300,000	87.21	60,434,063	1.38
	Kyrene Elementary School District No. 28	1,851,954,621	61,955,000	32.37	20,051,753	2.08
	Scottsdale Unified School District No. 48	4,061,836,843	415,800,000	0.35	1,441,291	1.26
	Mesa Unified School District No. 4	2,877,145,743	210,675,000	0.97	2,045,349	2.08
	East Valley Institute of Technology	15,753,830,294	None	12.74	None	0.05
	Total overlapping debt		1,269,050,000		182,882,500	
	Total net direct and overlapping debt		\$ 1,367,942,233		\$ 281,774,733 (B)	

Source: Dain Rauscher and Maricopa County Assessor

Note: The applicable percentage of each jurisdiction's assessed valuation which lies within the City's boundaries (see "Percent" column above) was derived from information obtained from the County Assessor's Office.

(A) Total outstanding general obligation less debt service fund reserve.

(B) Excludes the outstanding principal amount of Maricopa County Hospital District No.1 general obligation bonds, as this obligation has historically and is presently being paid from revenues generated from the operations of the District.

Legal Debt Margin Information (Exhibit S-16)

Last Ten Fiscal Years

City of Tempe, Arizona

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assessed Valuation	\$ 993,270,348	\$ 1,096,826,160	\$ 1,240,471,800	\$ 1,356,429,397	\$ 1,456,361,617	\$ 1,556,492,294	\$ 1,688,452,415	\$ 1,768,877,385	\$ 1,904,426,188	\$ 2,401,898,466
20% Limitation										
Debt limit equal to 20% of assessed valuation	\$ 198,654,070	\$ 219,765,232	\$ 248,094,360	\$ 271,285,879	\$ 291,272,323	\$ 311,298,459	\$ 337,690,483	\$ 353,775,477	\$ 380,885,238	\$ 480,379,693
Total net debt applicable to 20% limit	81,890,000	112,415,000	87,295,000	97,360,000	113,225,000	129,580,000	142,185,000	174,265,000	219,465,000	373,560,000
Legal 20% debt margin (available borrowing capacity)	\$ 116,764,070	\$ 107,350,232	\$ 160,799,360	\$ 173,925,879	\$ 178,047,323	\$ 181,718,459	\$ 195,505,483	\$ 179,510,477	\$ 161,420,238	\$ 106,819,693
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	41.22%	51.15%	35.19%	35.89%	38.87%	41.63%	42.11%	49.26%	57.62%	77.76%
6% Limitation										
Debt limit equal to 6% of assessed valuation	\$ 59,596,221	\$ 65,929,570	\$ 74,428,308	\$ 81,385,764	\$ 87,381,697	\$ 93,389,538	\$ 101,307,145	\$ 106,132,643	\$ 114,265,571	\$ 144,113,908
Total net debt applicable to 6% limit	45,600,000	40,470,000	51,235,000	55,645,000	52,315,000	69,370,000	65,690,000	73,535,000	92,300,000	1,470,000
Legal 6% debt margin (available borrowing capacity)	\$ 13,996,221	\$ 25,459,570	\$ 23,193,308	\$ 25,740,764	\$ 35,066,697	\$ 24,019,538	\$ 35,617,145	\$ 32,597,643	\$ 21,965,571	\$ 142,643,908
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	76.51%	61.38%	68.84%	68.37%	59.87%	74.28%	64.84%	69.29%	80.78%	1.02%

Source: Maricopa County Assessor's Office
City of Tempe, Arizona Accounting Division

Remaining General Obligation Bond Authorizations (Exhibit S-17)

City of Tempe, Arizona

<u>1990 Program</u>	<u>Authorization</u>	<u>Prior Issues</u>	<u>Current Year Issue</u>	<u>Remaining Authorization</u>
Water / Wastewater	\$ 30,000,000	\$ 30,000,000	\$ -	\$ -
Storm Drains	4,500,000	4,500,000	-	-
Streets / Transportation	20,000,000	20,000,000	-	-
Police Protection	6,000,000	6,000,000	-	-
Fire Protection	4,000,000	4,000,000	-	-
Library / Museum	1,000,000	1,000,000	-	-
Park Improvements	9,000,000	9,000,000	-	-
Subtotal	<u>74,500,000</u>	<u>74,500,000</u>	<u>-</u>	<u>-</u>
 <u>2002 Program</u>				
Water / Wastewater	77,000,000	77,000,000	-	-
Streets / Transportation	31,500,000	14,120,000	-	17,380,000
Police Protection	31,500,000	24,290,000	2,650,000	4,560,000
Fire Protection	6,000,000	2,670,000	40,000	3,290,000
Community Services/Park Improvements	12,000,000	11,570,000	430,000	-
Subtotal	<u>158,000,000</u>	<u>129,650,000</u>	<u>3,120,000</u>	<u>25,230,000</u>
 <u>2006 Program</u>				
Water / Wastewater	172,000,000	50,600,000	70,845,000	50,555,000
Streets / Transportation	8,000,000	-	-	8,000,000
Police Protection	14,000,000	-	-	14,000,000
Fire Protection	2,500,000	-	-	2,500,000
Community Services/Park Improvements/Libra	14,000,000	-	2,520,000	11,480,000
Subtotal	<u>210,500,000</u>	<u>50,600,000</u>	<u>73,365,000</u>	<u>86,535,000</u>
	<u>\$ 443,000,000</u>	<u>\$ 254,750,000</u>	<u>\$ 76,485,000</u>	<u>\$ 111,765,000</u>

Source: City of Tempe, Arizona Financial Services Department

Pledged-Revenue Coverage (Exhibit S-18)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Special Assessment Bonds			Excise Tax Revenue Obligations		
	Special Assessment Collections	Debt Service	Coverage	Excise Tax Revenue Collections (A)	Debt Service	Coverage
1998	\$ 1,949,841	\$ 1,252,910	1.56	\$ 90,962,474	\$ 4,041,387	22.51
1999	2,603,350	2,707,793	0.96	93,998,579	11,807,898	7.96
2000	2,604,043	2,827,774	0.92	103,598,887	15,388,333	6.73
2001	2,899,583	2,955,829	0.98	108,721,712	14,544,767	7.47
2002	2,849,998	2,908,056	0.98	98,220,588	7,505,627	13.09
2003	2,839,171	2,861,902	0.99	99,441,547	3,457,746	28.76
2004	2,781,576	2,821,905	0.99	101,591,009	4,497,682	22.59
2005	2,709,851	2,704,827	1.00	110,964,176	4,495,011	24.69
2006	2,705,348	2,866,617	0.94	126,916,690	5,737,352	22.12
2007	2,610,195	3,023,174	0.86	138,546,380	5,783,921	23.95

Fiscal Year	Performing Arts Excise Tax Obligations			Transit Variable Rate Excise Tax Obligations		
	.1% Privilege & Use Tax Collections (B)	Debt Service	Coverage	.5% Privilege & Use Tax Collections (C)	Debt Service	Coverage
1998	\$ -	\$ -	-	\$ 23,212,252	\$ -	-
1999	-	-	-	24,541,607	-	-
2000	-	-	-	26,384,487	-	-
2001	2,607,541	-	-	27,310,246	-	-
2002	5,006,344	-	-	25,229,927	-	-
2003	5,010,393	891,432	5.62	25,140,826	-	-
2004	5,279,580	710,448	7.43	26,740,623	-	-
2005	5,768,058	3,524,316	1.64	28,848,493	-	-
2006	6,480,218	6,017,247	1.08	32,440,082	-	-
2007	7,007,790	6,021,476	1.16	34,971,294	3,301,829	10.59

Source: City of Tempe, Arizona Accounting Division

(A) Excise tax revenue collections include privilege and use tax, state shared privilege and use tax, state shared income tax, franchise tax, permits and fees, and fines and forfeitures. Note that the privilege and use tax exclude the 0.5% excise tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000, and the 1.0% increase in the transient lodging tax on hotels approved by the voters in September 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

(B) The 0.1% privilege and use tax is a Performing Arts Center Tax approved by voters in September 2000.

(C) The 0.5% privilege and use tax is a Transit Tax approved by voters in September 1996.

Pledged Revenue, Projected Debt Service and Estimated Coverage (Exhibit S-19)

Excise Tax Obligations (Excluding Variable Rate Demand Bonds)

City of Tempe, Arizona

Senior Excise Tax Obligations				Subordinate Excise Tax Obligations		
Fiscal Year	2007 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)	Revenue Available for Debt Service (D)	Outstanding Subordinate Excise Tax Obligations Debt Service Requirements (E)	Coverage (F)
2006-07	\$ 138,546,380	5,783,920	23.95	\$ 139,770,250	6,021,476	23.21
2007-08		5,626,868	24.62		6,009,926	23.26
2008-09		5,625,728	24.63		6,012,726	23.25
2009-10		4,969,702	27.88		6,005,626	23.27
2010-11		4,968,487	27.89		6,016,226	23.23
2011-12		4,966,462	27.90		6,017,788	23.23
2012-13		4,969,687	27.88		6,015,338	23.24
2013-14		4,973,437	27.86		6,013,238	23.24
2014-15		4,966,837	27.89		6,011,013	23.25
2015-16		5,876,238	23.58		6,012,438	23.25
2016-17		5,873,138	23.59		3,522,050	39.68
2017-18		5,872,138	23.59		3,521,375	39.69
2018-19		5,875,888	23.58		3,522,825	39.68
2019-20		5,878,638	23.57		3,525,875	39.64
2020-21		5,264,888	26.32			
2021-22		5,263,113	26.32			
2022-23		5,326,688	26.01			
2023-24		2,243,500	61.75			
2024-25		2,241,750	61.80			

Source:

(A) Excise Tax Revenues received by the City in Fiscal Year 2006-07. See Excise Tax Collection Schedule (Exhibit S-21).

(B) Includes the annual debt service requirements of the City of Tempe Municipal Property Corporation's Series 1992 Bonds, currently with no principal outstanding; the City of Tempe, Arizona, Excise Tax Refunding Obligations, Series 2003, currently outstanding in the principal amount of \$16,720,000; the City's Refunding Certificates of Participation, Series 1999, currently outstanding in the principal amount of \$1,220,000, the City of Tempe, Arizona Excise Tax Revenue Obligation, Series 2000A, currently outstanding in the principal amount of \$1,335,000, the City of Tempe, Arizona Excise Tax Revenue Obligation, Series 2005, currently outstanding in the principal amount of \$20,565,000 and the City of Tempe Arizona Excise Tax Revenue Refunding Obligations, Series 2007, currently outstanding in the principal amount of \$21,310,000.

(C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2006-07 excise tax revenues to total debt service requirements for the City's revenue bonds.

(D) Consists of Performing Arts Center Excise Taxes and Excise Taxes (net of maximum annual debt service on Outstanding Senior Excise Tax Obligations) received in fiscal year 2006-07.

(E) Includes the annual debt service requirements of the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2004, currently outstanding in the principal amount of \$32,620,000; the City of Tempe, Arizona Excise Tax Revenue Obligation and the Series 2006, currently outstanding in the principal amount of \$18,275,000.

(F) Pursuant to the Purchase Agreement, the City agrees that the Performing Arts Center Excise Taxes and the Excise Taxes presently imposed will continue to be imposed so that the amount of Performing Arts Center Excise Taxes and the Excise Taxes (net of maximum annual debt service on the Outstanding Senior Excise Tax Obligations) collected for any fiscal year shall be equal to at least three times the total Debt Service requirements for the Obligations and other Parity Obligations in such fiscal year.

Pledged Revenue, Projected Debt Service and Estimated Coverage (Exhibit S-20)

Variable Rate Demand Bonds

City of Tempe, Arizona

Senior Excise Tax Obligations			
Fiscal Year	2007 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)
2006-07	34,971,294	3,519,250	9.94
2007-08		6,420,289	5.45
2008-09		6,420,800	5.45
2009-10		6,416,600	5.45
2010-11		6,419,200	5.45
2011-12		6,418,200	5.45
2012-13		6,418,600	5.45
2013-14		6,420,200	5.45
2014-15		6,417,800	5.45
2015-16		6,421,400	5.45
2016-17		6,415,600	5.45
2017-18		6,420,600	5.45
2018-19		6,415,800	5.45
2019-20		6,416,400	5.45
2020-21		6,422,000	5.45
2021-22		6,422,200	5.45
2022-23		6,417,000	5.45
2023-24		6,421,400	5.45
2024-25		6,419,800	5.45
2025-26		6,417,200	5.45
2026-27		6,423,400	5.44
2027-28		6,422,800	5.44
2028-29		6,415,400	5.45
2029-30		6,421,200	5.45
2030-31		6,419,400	5.45
2031-32		6,420,000	5.45
2032-33		6,422,600	5.45
2033-34		6,421,800	5.45
2034-35		6,417,400	5.45
2035-36		6,419,200	5.45
2036-37		2,901,600	12.05

Source: Dain Rauscher

- (A) Excise Tax Revenues received by the City in Fiscal Year 2006-07.
- (B) Includes the annual debt service requirements of the City of Tempe Transit Variable Rate Revenue Bond Series 2006 and Series 2007 currently outstanding in the principal amount of \$59,785,000 and \$50,000,000 respectively. Interest is assumed at a rate of 4.00% per annum through maturity.
- (C) The Estimated Coverage figures shown reflect the ratio of actual fiscal year 2006-07 Excise Tax Revenues to total debt service requirements for the City's Transit Variable Rate Revenue bonds.

Excise Tax Collections (Exhibit S-21)

Last Eight Fiscal Years

		City of Tempe, Arizona							
		1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Privilege and use tax (A)	\$	62,285,205	\$ 66,121,741	\$ 59,299,061	\$ 59,379,586	\$ 62,884,508	\$ 68,533,088	\$ 77,080,250	\$ 86,750,870
State shared sales tax		13,511,356	13,951,532	12,148,438	12,405,713	13,345,152	14,695,069	16,810,760	15,758,491
State shared income tax		17,045,903	17,890,338	16,544,791	16,882,535	14,303,004	14,582,117	16,607,943	18,823,759
Franchise tax		1,948,858	2,440,521	2,545,346	1,531,714	1,505,133	1,678,437	1,858,851	2,693,256
Permits and Fees (B)		4,097,817	3,750,761	3,081,194	3,731,523	3,722,079	4,643,117	6,708,183	7,300,676
Fines and forfeitures		4,709,748	4,566,819	4,601,758	5,510,476	5,831,133	6,651,934	7,287,717	7,219,328
Total		\$103,598,887	\$108,721,712	\$ 98,220,588	\$ 99,441,547	\$101,591,009	\$110,783,762	\$126,353,704	\$138,546,380

Source: City of Tempe, Arizona Comprehensive Annual Financial Report
City of Tempe, Arizona "Revenue and Expenditure by Account by Fund" report.

Note: Information prior to fiscal year 2000 was not available in this format.

(A) Amounts exclude the 0.5% Excise Tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000, and the 1.0% increase in the transient lodging tax on hotels approved by the voters in September 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

(B) Amounts include all licenses and permits and Development Services fees and charges for services.

Demographic and Economic Statistics (Exhibit S-22)

Last Ten Fiscal Years

City of Tempe, Arizona									
Fiscal Year	Population (A)	Total Personal Income (C)	Per Capita Personal Income (B)	Average Household Income (C)	Median Age (C)	School Enrollment (D)	ASU School Enrollment (E)	Unemployment Rate (F)	
1997-98	156,686	\$ 3,160,356,620	\$ 20,170	N/A	N/A	24,675	41,006	2.50 %	
1998-99	157,653	3,286,907,397	20,849	N/A	N/A	25,189	41,006	2.30	
1999-00	158,625	3,414,879,000	21,528	N/A	N/A	25,324	50,365	2.40	
2000-01	160,388	3,561,736,316	22,207	N/A	N/A	26,010	44,126	2.30	
2001-02	159,435	3,583,620,495	22,477	N/A	N/A	26,056	47,359	3.30	
2002-03	159,425	3,626,440,475	22,747	N/A	N/A	26,380	49,980	4.50	
2003-04	159,615	3,673,858,455	23,017	N/A	N/A	26,960	52,265	4.20	
2004-05	160,820	3,745,015,340	23,287	N/A	N/A	26,787	49,171	3.40	
2005-06	165,796	3,906,153,760	23,560	58,000	30.9	26,800	61,033	3.50	
2006-07	166,625	4,097,808,625	24,593	59,936	31.3	26,292	63,278	3.00	

Source: (A) Estimate from City of Tempe Budget Division

(B) Estimate from Sites USA for 2005, Census per capita for 2000. All other amounts are estimates.

(C) Estimate from Sites USA

(D) School Registration, Tempe Elementary & High School District

(E) ASU Enrollment History

(F) Employment Trends, Arizona Department of Economic Security

Principal Employers (Exhibit S-23)

Current Year and Nine Years Prior

City of Tempe, Arizona						
	2007			1998		
<u>Employers</u>	<u>Employees (A)</u>	<u>Rank</u>	<u>Employment (B)</u>	<u>Employees (A)</u>	<u>Rank</u>	<u>Employment (B)</u>
Arizona State University	12,569	1	11.46 %	15,212	1	13.63 %
US Airways	3,916	2	3.57	4,000	2	3.58
Motorola, Inc.	3,510	3	3.20	3,775	3	3.38
JP Morgan Chase Bank	2,300	4	2.10			
City of Tempe	1,977	5	1.46	1,988	6	1.78
Medtronic Microelectronics	1,363	6	1.24			
State Farm Insurance	1,149	7	1.05			
Bank One Corp	1,000	8	0.91			
Financial & Credit Services Group	914	9	0.83			
Wilson Electric	850	10	0.78			
Microage	-		-	2,700	4	2.42
Salt River Project	-		-	2,175	5	1.95
Kyrene Elementary School District	-		-	1,900	7	1.70
Tempe Elementary School District	-		-	1,732	8	1.55
Chase Bankcard Services	-		-	1,700	9	1.52
Wells Fargo Operation Center	-		-	1,520	10	1.36
Total	29,548		26.60 %	36,702		32.87 %

Source: (A) City of Tempe, Economic Development, Major 100 Employers List; City of Tempe number obtained from 2006-07 Annual Budget
(B) RBC Capital Markets

Full-Time Equivalent City Government Employees by Function (Exhibit S-24)

Last Four Fiscal Years

City of Tempe, Arizona

	Full-Time Equivalent Employees as of June 30			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police	522	522	535	530
Fire	157	157	171	160
Community services	305	308	340	234
Parks and recreation	-	-	-	208
Public works	377	377	380	307
Community relations	20	18	18	20
Mayor and council	7	7	7	7
City manager	3	3	4	4
Diversity program	3	4	4	4
Internal audit/consulting	4	4	4	4
City clerk and elections	5	5	5	5
City attorney	25	25	26	29
Municipal courts	37	38	41	41
Development services	87	89	52	63
Community development	-	-	53	60
Economic development	12	13	-	-
Financial services	70	69	69	72
Human resources	19	19	19	21
Information technology	73	72	72	73
Water/Wastewater	131	131	135	136
Total	1,857	1,861	1,935	1,978

Source: City of Tempe, Arizona 2006-07 Annual Budget

Note: Information prior to fiscal year 2004 was not available in this format.

Operating Indicators by Function/Program (Exhibit S-25)

Last Two Fiscal Years

City of Tempe, Arizona

Function /Program	Fiscal Year 2005-06	Fiscal Year 2006-07
Police		
Crime rate (per 100,000 pop.)	8,269	8,500
Traffic accidents	5,562	6,729
Emergency service average response time (minimum)	4:43	4:55
Citizen calls for police service	124,923	128,150
Operating expenditures per citizen calls	\$391.87	\$331.67
Fire		
Firefighters per capita (10,000)	8.52	8.93
No. of fire calls	2,097	2,148
No. of medical calls	13,059	13,469
No. of other assistance calls	1,722	2,429
Emergency service average response time (minimum)	4:25	4:17
% of emergency responses taking 5.0 minutes or less	70%	84%
Transportation		
On-time performance (bus)	94%	92%
Annual boardings (bus)	6,805,383	8,156,782
Number of square yards repaired	1,884,102	1,136,956
Library		
Registered borrowers	141,509	143,595
Circulation	1,404,318	1,289,682
Development services		
# of permits issued for commercial /industrial	69	69
Valuation of commercial/industrial permits	\$83,599,700	\$170,983,900
# of permits issued for residential	1,061	700
Valuation of residential permits	\$250,869,200	\$ 152,320,600
# of permits issued other	715	673
Valuation of other permits	\$119,168,700	\$89,884,365
Water/wastewater		
Number of customer accounts	42,059	42,261
Total water gallons treated (million gallons - mg)	15,152	17,900
O&M per customer account	\$221	\$317
Service calls responded to within 30 min. and repaired in 24 hours	100%	100%
Total wastewater gallons treated (million gallons per day)	22	25
Solid waste collection		
Residential tons of solid waste collected	74,531	67,114
# of residential accounts	33,021	33,056
Commercial tons of solid waste collected	21,556	18,287
# of commercial accounts	1,976	1,861
Recycling tons of solid waste collected	13,984	13,552
Collection cost per ton of residential/commercial solid waste collected	\$73	\$76

Source: The City of Tempe, Arizona Budget Department and other applicable City departments.

Capital Asset Statistics by Function/Program (Exhibit S-26)

Last Two Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2006	Fiscal Year 2007
Police		
Stations	2	2
Patrol Units (Squads)	22	22
Fire Stations	6	6
Transportation		
Streets (miles)	1,241	1,241
Streetlights	11,754	11,774
Traffic Signals	193	199
Buses	123	115
Parks and recreation		
Acreage	1,684	1,684
Playgrounds	44	44
Sports Fields	195	195
Community centers	4	4
Golf Courses	2	2
Water/Wastewater		
Water mains (miles)	852	852
Water production capacity (million gallons per day)	120	120
Water storage capacity (million gallons)	53	53
Sanitary sewers (miles)	502	502
Storm sewers (miles)	174	174
Wastewater treatment capacity (million gallons per day)	32	32
Solid waste collection		
Collection trucks	68	56

Source: The City of Tempe, Arizona Budget Department and other applicable City departments.

Note: Information prior to fiscal year 2006 was not available in this format.

